

CHAIRMAN ADAM B. SCHIFF
HOUSE PERMANENT SELECT COMMITTEE ON INTELLIGENCE
*“Putin’s Playbook: The Kremlin’s Use of Oligarchs, Money and Intelligence in
2016 and Beyond”*
MARCH 28, 2019

Thank you. We’ll come to order. Without objection, the Chair is empowered to declare a recess at any time.

Today, the House Permanent Select Committee on Intelligence will hold an open hearing to discuss how the Kremlin uses financial leverage and corruption as tools of intelligence operations and foreign policy. The hearing will explore the dynamics between the Kremlin and Russia’s business elites and oligarchs; President Vladimir Putin’s control over the economy, Russian banks, and the oligarchs; the use of financial entanglements as a means of compromise; and the derivation and importance of sanctions to the Russian economy, particularly Putin’s inner circle. The goals of the hearing are: 1) to provide the American public with a foundational understanding of the Kremlin’s use of financial leverage to influence foreign policy; and 2) the importance of counterintelligence investigations, as distinguished from criminal investigations.

Almost exactly two years ago, James Comey disclosed publicly for the first time in testimony before this committee that the FBI had initiated a counterintelligence investigation into Russia’s interference in the 2016 election. While that investigation would lead Special Counsel Mueller to initiate a great many criminal proceedings, resulting in numerous indictments and convictions, it began and has continued as a counterintelligence investigation. What does that mean?

Counterintelligence investigations are designed, among other things, to determine whether any U.S. persons, and particularly those in positions of influence in government or business, may be vulnerable to foreign influence, manipulation, coercion, or compromise by a hostile foreign power. This notion

of compromise, or *Kompromat* in Russian, can be subtle and discrete, witting or unwitting, and it can take many forms. But it is at the heart of Russia's playbook to sow discord in democratic institutions, create leverage that can influence foreign and national security policy both here and abroad, and encourage nations to act contrary to their own security interests.

We do not yet know the results of the counterintelligence investigation led by Comey and then Mueller. It is not clear whether, or to what extent, the Mueller report, which is focused on prosecutorial decisions, will even discuss counterintelligence findings. But the counterintelligence concerns that animated the investigation in the first place may ultimately have the more profound impact on our security and policy, and we therefore await the publication of the Mueller report to find out.

Today, we have an expert panel that will help us explore how Russia uses intelligence tools to influence foreign nations – both the United States and others – and we will have a particular focus on Russia's use of financial leverage to achieve their goals. Our esteemed panelists will address the interplay between business, government and intelligence in Vladimir Putin's Russia; how Putin uses business and corruption to maintain control at home and influence foreign policy; and finally, we will delve into the issue of sanctions and why sanctions relief was so central to Russia's foreign influence campaign and remains a preoccupation of Putin's today.

Let me now take a moment to introduce our panelists. **Michael McFaul** served as the U.S. Ambassador to Russia from 2012-14 and is currently the Director of the Freeman Spogli Institute for International Studies at Stanford University, where is also a Senior Fellow at the Hoover Institution. **Steven Hall** is the former C.I.A. Chief of Russia Operations and enjoyed a 30-year career in the Agency. **Heather Conley** is a Senior Vice President for Europe, Eurasia, and the Arctic at the Center for Strategic & International Studies and is also the author of the "*Kremlin Playbook*." And **Eric Lorber** is the Senior Director at the Center on Economic and Financial Power.

Thank you all for joining us today. I now yield to the Ranking Member for any opening remarks he'd like to make.