Dear Tom,

I am pleased to offer my assistance to the Foreign Affairs Committee’s inquiry into Russian corruption and the UK and provide the following responses. I also note your recent initiative to create a Russia Co-ordination Group in Parliament.

What are the Government’s strategic objectives for UK-Russia relations?

On 21 March I informed the committee that our policy of ‘engage but beware’ remains unchanged. No one can say that we have not been trying to engage. That was the reason for my visit to Moscow: to show that we were willing to engage. The UK wants Russia to play a role as a responsible international partner in upholding the rules based international system. Regrettably, a pattern of Russian aggression over the past decade, from the murder of Alexander Litvinenko to its actions in Crimea and Ukraine and the recent attack in Salisbury, suggests that this is not Russia’s aim. The Kremlin has consistently flouted the values and norms that make the freedoms we enjoy possible. In December, I held out the hand of engagement, but we have been given every signal to beware.

In response to blatant aggression by the Russian state, the UK has consistently responded with strength and determination. As the Salisbury response highlighted, we are united with our partners in our determination to confront Russia’s destabilising actions, which undermine international law and threaten our collective security and the international institutions that protect us.

In the meantime, as two Permanent Members of the UN Security Council, we must, where possible, maintain a dialogue on the most challenging issues which impact on international security, such as North Korea and Iran. We will also continue to encourage Russia to engage constructively on military issues of concern, including through NATO-Russia dialogue.

What role do sanctions play in achieving those objectives?

EU sanctions have been in place since Russia’s intervention in Ukraine and its illegal annexation of Crimea in 2014. They send a clear message to the Kremlin that the West will not tolerate its flagrant violation of international law. Changing borders illegally and by force is destabilising and cannot be accepted in the modern world.

Steps taken by the EU include diplomatic measures, individual sanctions and sectoral sanctions targeting parts of Russian finance, energy and defence industry sectors. There are also separate Crimean economic sanctions. The UK plays a leading role in continuing sanctions against Russia to effect a change in its Ukraine policy and end its illegal annexation of Crimea. We strongly support the European Council commitment that the lifting of economic sanctions must be linked to the full implementation of the Minsk Agreements.

The Sanctions and Anti-Money Laundering Bill will allow US to implement sanctions in coordination with or independently of the EU upon our exit. We added a Government amendment to the Bill to strengthen our powers to impose sanctions in response to the violation of human rights.
What assessment has the Government made of the success of its sanctions policy?

Transatlantic and EU unity on sanctions has demonstrated a clear Western position to Russia, showing that destabilising behaviour will not be tolerated. Sanctions maintain pressure on Russia to meet its obligations in full under the Minsk Agreements and have underscored the cost to Russian businesses of support for President Putin’s destabilising policies. Of Russia’s 3.7 percent overall GDP decline in 2015, Citibank assess sanctions caused nearly 0.4 percent.

Financial sanctions are particularly effective, making it expensive and hard for Russia to access western finance, compelling it to draw down on its prized reserve funds, which President Putin admitted himself in 2016.

What is the FCO’s role in identifying ‘politically exposed persons’ and in transferring that intelligence to the FCA and banking community?

While there is no universally accepted definition of corruption, it is generally understood to involve the abuse of office and position to benefit a third party in return for payment or other reward. Corruption threatens our national security and prosperity, at home and overseas. It undermines trust in government and institutions, distorts markets, fuels instability and keeps organised crime groups in business. The cross-Government Anti-Corruption Strategy, launched in December 2017, provides a framework to guide our action to tackle corruption up to 2022. As part of this, the Government will ensure that UK regulations confirm to the latest international standards.

The Money Laundering Regulations, introduced in June 2017, require regulated firms to apply enhanced due diligence to all Politically Exposed Persons (PEPs). It is for the regulated firms themselves to make the determination of whether an individual is considered a Politically Exposed Person (PEP). The Financial Conduct Authority’s expectation is that they will make best use of the information reasonably available to them.

The Government will continue to make the UK unwelcoming to those who look to use, move or hide their proceeds of crime and we will work with partners in tackling criminality and illicit finance where this is identified, including corrupt elites. The Government has brought together the many strands of economic crime under the Security and Economic Crime Minister and is setting up the National Economic Crime Centre (NECC) within the National Crime Agency. Through the NECC, the Serious Fraud Office will work with Law Enforcement and other partners to ensure big business and overseas oligarchs cannot use their wealth to obstruct justice.

The Government is already making progress, with those suspected of having links to organised crime having to prove the origin of their assets. The first Unexplained Wealth Order, which can be applied to PEPs, was served within 14 days of the new powers coming into force on 31 January 2018.

THE RT HON BORIS JOHNSON MP