State Threats, Illicit Finance, and Economic Security with the Rt. Hon. Tom Tugendhat

TRANSCRIPT

Discussion

- Marshall Billingslea, Senior Fellow, Hudson Institute
- Nate Sibley, Research Fellow, Hudson Institute
- The Rt. Hon. Tom Tugendhat, Minister of State (Minister for Security), UK Home Office

Disclaimer: This transcript is based on a recorded video conference and breaks in the stream may have resulted in mistranscriptions in the text.

A video of the event is available: https://www.youtube.com/live/Hbpj2RG5OI?feature=share

About Hudson Institute: Founded in 1961 by strategist Herman Kahn, Hudson Institute challenges conventional thinking and helps manage strategic transitions to the future through interdisciplinary studies in defense, international relations, economics, health care, technology, culture, and law.

Hudson seeks to guide public policy makers and global leaders in government and business through a vigorous program of publications, conferences, policy briefings, and recommendations.
Marshall Billingslea:

Good morning. It's with great pleasure that I welcome on behalf of the leadership of the Hudson Institute, the right honorable Tom Tugendhat, who is minister of state for security and borders. Thank you minister for joining us here today. Tom joins us at a crucial moment in time, as we approach the one-year mark of Russia's further invasion of Ukraine. And President Zelenskyy's historic visit just a few days ago to the United Kingdom seeking additional aid and specifically fighter aircraft. So I'm sure much of our conversation today will cover Russia and specifically what more can be done together to hold Putin, his regime insiders and his oligarchs to account. I have over the years had the pleasure of working with a number of UK ministers on diverse topics from counter-terrorism and counterproliferation to NATO, to our nuclear deterrent to illicit finance. And broadly speaking, our two nations collaborate on these matters in ways that are truly unique and special.

Though honestly, when it came to illicit finance during the Trump administration, particularly dirty Russian money in the UK and Shell companies established in the crown dependencies and so on, sometimes our agreement and principle did not translate into agreement to take action. But that's all changed and it's changed radically and for the better I think, in large measure due to Brexit which freed the UK from constraints or originating out of Brussels, on what the UK could and could not do such as sanctions. But also due to the leadership of conservatives such as Tom, who have actively used the UK's newly found, newly restored authorities and sovereignty, to target the proceeds of corruption both at home in the UK and abroad and collaboratively with the United States. And I hope that the minister will perhaps stay, share more on this topic.

I know he feels deeply about the anti-corruption fight and perhaps we can have a discussion on what additional steps need to be taken to both seize and freeze not only oligarchic money but Russian state funds, to furnish that assistance directly to the Ukrainian government as their economy has now been shattered by the Russians. Vladimir Putin may have rightly gambled when he launched his attack on how President Biden and Chancellor Schultz and President Macron would react. But it is clear that he completely underestimated the United Kingdom. Where others have hesitated, where others have conjured up red lines, imaginary red lines over different weapons systems being provided or not, over different sanctions being taken or not, the United Kingdom has consistently led and acted. And for that, we are grateful. It is therefore with enormous pleasure as I said, that I welcome the minister to deliver his remarks and look forward to Nate Sibley conducting the question and answer session following. Minister, welcome.

Tom Tugendhat:

Thank you very much. It's a very kind welcome and I'm very grateful for the privilege of speaking to you this morning. It's a huge honor to be invited to Hudson because this group has grown from the days. It's a huge pleasure to be here with you because this institution has led much of the conservative debate on what affects so many of us today on global policy, that actually isn't about the globe. It is about us here at home, here in the United States, here in the United Kingdom for me. And as a son of Kent, I have to say it's always been a touch ironic that coming here to the United States always feels like coming home. For me, it's a bit more though than a spiritual home. It's a home that has really shaped so much of my own thinking. It's shaped it
because from institutions, from organizations not very far from here, orders and decisions have been taken that have seen me deploy on operations.

But it's also shaped me very much because my godfather was a priest in this community, is a priest in this community. Forgive me, I'm seeing him later. At least I hope I am. And he's been ministering to people here for a long time. Now, of course I am a minister, but my king is very much of this world, not of the next. And I know that we're all looking forward to his coronation later this year. And we all are because actually this is another thing that we share. We share a great interest in our royal family, including the export of some elements of it. You're very welcome

And you'll no doubt be seeing here the same outpouring of enthusiasm for His Majesty's coronation that we'll be seeing in the UK. It'll be a moment of fascination, of interest, of intrigue. We'll all be trying to work out what on earth is going on beneath the canopy as the crown and the oil go on. But it won't be any more than the passion that we all show for your politics, your literature, and your film, some of which would we share the same confusion. Britain and America have after all always been acutely aware of our shared history and there are a few greater examples of international unity than the way our countries have stood together. We have together defended civilization. We have really been the pillars of that defense in the traumas of the 20th century, because ours is a bond that is built on very, very deep foundations.

At the heart is a very simple idea: The idea that the government is the servant and not the master of its citizens. And while famously enshrined in your constitution, the origins of this principle can be traced back to English common law and a thought predate Magna Carta. They have safeguarded against arbitrary use of executive power in both countries for many hundreds of years. And on that principle is built the very structure and institutions that define our two nations. They are of course divided into the rule of law that stands higher than any one individual or the state, that in our revolution of the 17th century put the people above the king and made everybody subject to the same law. They are the free market on which all our livelihoods depend. They are the schools and universities in which academic freedom and individual ideas can championed tested, and the rigor of debate can expose those that are resilient.

And of course, they are the democratic norms and institutions themselves. These are the inheritance that we share in the foundation of our kinship, object of admiration and envy around the world, and they are worth defending. And as heirs to the values and principles that underpin them, that task falls to us. Now I've spent my career defending these values and principles alongside members of your Congress and Senate and now other members in other parliaments. I've had the privilege to fight in Iraq and Afghanistan. They were then, as I was, soldiers, marines, aircrew and sailors. And together, we were part of defending the liberties that others sadly sacrificed much more than we did to protect. Now today, the defense of our liberties must go beyond the battlefield. Freedom once threatened by war, is now threatened by the erosion of the very structures and institutions on which freedom depends.

We all know that pride comes before a fall and today the danger is complacency. I remember seeing the damage done to once comfortable homes in Kabul when I was stationed there in 2005. There was evidence in the suburbs of the comfortable life that people had once enjoyed. The parties, the cocktails, the normal enjoyment that many people had. But coups and civil wars that followed turned people into refugees and destroyed that civilized community. Many who
could have left were later murdered by groups like the Taliban. Sadly, that's come back to pass. They missed the warnings or couldn't respond in time. And our defenses today mean that we are unlikely to face anything as awful as that. But what threats are we ignoring? What signs like them are we missing? Rome didn't fall in a day. It was the gradual erosion of the state, the ebbing away of the norms of the republic. And that's what we must watch out for, for as the US Army Field Manual I know read by all of you every morning, reminds us it is on us to do one thing every day to improve our defensive position.

Now, my family missed the warnings in the past. Until my generation, there were more Tugendhats in the records of Yad Vashem than there were in His Majesty's tax office. Proof that we, like many others in this world, paid a terrible price for missing the alerts. Individual liberty, the rule of law, and a state accountable to its citizens. This is the shared inheritance that many of us take for granted. And yet historically, at least Britain and the United States have been the exception, not the rule. Take China, where individual liberties have been stripped away by a state accountable to no one, or Russia, where the legal vacuum that communism truly is, produced an oligarchy run by gangsters, as a party's secure elite enriched themselves at the expense of the people.

The mistake that many of us made over the past few decades is to believe that the principles underpinning our societies would sell themselves. We reached out, we were open and we were supportive. But they weren't buying. Some believed that by welcoming the Russian oligarchs and the super wealthy, we could remake them in our image, that as they came to enjoy the riches of our free, open and democratic societies, they would seek to emulate them at home. That in learning the manners of our schools and our courts, they would inhale our values and laws. And so, successive governments turned a blind eye to Moscow's gold. The proceeds of Kremlin backed corruption, which poured into the west after the fall of the USSR. And countries like ours became a playground for this new global elite. They came to London to enjoy luxury shopping and our rich cultural heritage. They bought houses and sent their children to our schools. We failed to pay sufficient attention to their integrity and the source of their funds, and turned a blind eye to their growing influence.

Too many continue to support leaders and institutions at home that sought to undermine the principles and institutions on which our freedoms depend. In short, by welcoming those post-Soviet kleptocrats, we enabled Putin's regime. By taking their money, we allowed them to pillage their own country, knowing that their families and their wealth was safe in ours. Now, that is coming home to us. The insecurity caused by Putin's greed and the need to sustain his violent regime has turned it as so often happens, from a center of crime to an exporter of violence. It is not just the Russian people who are suffering now, but Ukrainians, Georgians, and many, many more. As we all know, that if we fail to hold the line in the east, it will come west.

In short, we were naive. We prioritized wealth over security. Instead of chasing Benjamins, we should have borrowed from Franklin. Those who would give up essential security to purchase a little prosperity deserve neither security nor prosperity. This is the unhappy position that many have found themselves in. Despite warnings by many, including many in this room, they chose cheap energy, forgetting that pipelines bind both ways and that cheap goods cheapen their resilience. That didn't come without cost.

Now sadly, none of this was unforeseeable. In fact, much of it was not only foreseen, but predicted. And many of us tried to sound the alarm over Nord Stream, over Huawei and over
Leningrad. I spent five years as chair of the Foreign Affairs Committee in London, calling out the egregious abuses of our economy and society by maligning states. Because foreign policy isn't about foreigners, it's about us. It's about how we shape the world towards the arc of liberty and the defense of our interests. Our 2018 report on Britain's links to dirty money was called Moscow's gold. It clearly set out the threat that Russian corruption posed to the United Kingdom. Now, I'm not just referring to the ways in which this corruption has created potential new sources for leverage for Russia to exploit, or how it was enabled, or how it has enabled our enemies to fund hostile actions against us. But to the pernicious and corrosive effect it has on our democracy and on our society.

For too long, the poison has been allowed to flow and I am committed to stopping it. Prime Minister Sunak has made clear it will not be allowed to continue. I agree to step down as chair of the committee and take this job because across the western world, governments are finally recognizing the scale of the threats that we all face, and there is finally an opportunity to do something about it. Since February last year, the United Kingdom's government has sanctioned over 1,200 individuals, including more than 130 oligarchs and their family members linked to the Russian state, freezing more than 18 billion pounds of Russian finance in the United Kingdom. And there's more to come. We set up the combating kleptocracy cell in the fantastic National Crime Agency, tasked with rooting out corrupt elites in their assets in the United Kingdom.

The cell has successfully targeted houses, yachts, planes, and much more around the world and brought enforcement action against professional enablers such as unscrupulous accountants and lawyers, who sell their nation cheaply for 30 pieces of silver. We introduced two key pieces of legislation to deliver sanctions more effectively: Seize suspect crypto assets more quickly, and unmask shadowy beneficial owners who hide behind layers of Shell companies. And together with you here in the United States, we are leading the global hunt for Putin's cronies and their ill-gotten assets through the Russian Elites, Proxies, and Oligarchs Task Force, which has blocked or frozen more than $30 billion worth of sanctioned Russian assets in financial accounts and economic resources. Despite these significant strides, we cannot be complacent. My brilliant and determined officials in the home office are drawing up the successes to the economic crime plan and the anti-corruption strategy, which will further detail the UK's response to tackling kleptocracy at home and abroad. And, through the new economic crime levy, law enforcement agencies will receive hundreds of millions of pounds of new funding to tackle dirty money.

But Russia is not alone in hiding wealth overseas. We all know about the oligarchs, but there are other princelings, red princelings in our society whose states are undermining our freedoms. Many despotic regimes have used our laws to keep their money from the hands of those it was stolen from. And we must go from freezing to seizing and look hard at what we can do to help them get it back. Corruption and kleptocracy will never be welcome on our shores. Undergrad is closed.

It is a pleasure to work with the dedicated teams here in the United States and elsewhere who are committed to this, just as we are, not just because of what it does to others, but what it does to us. Just yesterday we announced a new round of sanctions against Russian cyber criminals who used ransomware to target hospitals and schools. That's not just an attack on institutions, but an attack on our people. Operations delayed and exams disrupted. Illicit finance enables that ransomware. It opens paths to profit for criminal gangs and allows hostile actors vectors of violence against us all. It uses binary code to undermine family life.
Illicit finance is one of the many tools employed by our adversaries to undermine our democracy and society. In the past, the security minister's job has focused more on counterterrorism than state threats, and my predecessors were rightly more focused on al-Baghdadi than on Beijing. That's changed.

As systematic competition intensifies, authoritarian regimes around the world are beginning to deploy increasingly aggressive tactics against the British and American people. The threats posed by malign states now take many different forms, including espionage as we've seen reported in your country only this past week, interference, sabotage, and attempts to undermine the rules-based international system.

And the tactics they use can be acute, such as Iran's attempts to kidnap or kill British and UK-based individuals, or chronic, as with China's attempt to play the long game by co-opting and influencing parliamentarians and other public servants. And as we are seeing in the news these days, they are evolving and they are rising.

That brings me to foreign influence. The UK and her allies face an increasing range of threats from foreign states who are actively seeking to disrupt our political system and interfere with our democracy, our rights and our freedoms. Efforts to interfere in our academic freedoms and universities are not new, but we have been taking steps now to protect our institutions.

This isn't just about protecting British citizens. It is about protecting all those who live in the United Kingdom because part of the appeal of coming to the UK or the US to study is the opportunity to enjoy the freedoms many of us come to take for granted.

But today, illegal police stations operating in our countries are just one example of the transnational repression that we are seeing. We have seen states reaching across borders to intimidate, harass, or harm people they perceive to be a threat or have a political interest in silencing. This interference in our internal affairs doesn't just target the expatriate community. It harms us all. Smothering freedom of expression in the United Kingdom and shutting down debate harms our students, punishes our professors, and damages our research and understanding of the world. It's no coincidence that free countries like ours generate more ideas and innovation than those who silence the minds of thinkers, punish the successful and constrain creatives.

Now, I am very pleased the Prime Minister Sunak has spoken out about this and has asked me to look at the actions that we can take. But we cannot take them alone. I've asked for a comprehensive review of the UK's approach to transnational repression, to ensure that we fully understand the threat and to maximize our ability to address this unacceptable behavior. I look forward to working with Five Eyes, NATO, European, and other friends to see what we can do together.

Now let's be clear what this is for. We are here to defend democracy, the system of challenge and debate that depends on freedom of thought and expression, not just on polls and politicians. This review will form part of a new defending democracy task force the Prime Minister asked me to set up, and we are working to protect the UK's democratic processes, institutions and society, and deliver a secure and resilient UK, free from threats of foreign interference.

That means ensuring that we are able to respond to a range of threats, including foreign interference in electoral processes, our public offices and universities, disinformation, physical
threats, and those in cyberspace. We are joining up our efforts across government and the UK intelligence community and working with our partners in parliament, the devolved administrations, local government, the private sector and civil society. Our aim is to build resilience across all levels of the system. Our security demands a rethink.

From local to general elections, from town halls to the Palace of Westminster, our democratic processes and institutions are an essential part of what it means to live in a free and open society. They must be preserved and safeguarded at all costs.

As politicians, marines, journalists, academics, and business people, we can't give our nation's eternal life, but we can guard the watch that we are on. And I'm reminded again of everyone's favorite bedtime reading, that US Army field manual we all hold so dear. It is the duty of every soldier to do one thing every day to improve our defensive position. Now, today on our watch, we have the tools, the plans, and the friends to defend ourselves and support our allies.

I look forward to working with many of you here in the United States and around the world to guard our future and to defend our countries together. Thank you.

Nate Sibley:

Okay, well, thank you so much, minister for that incredible speech. My name's Nate Sibley. As Marshall said, I run the Kleptocracy Initiative here at Hudson Institute. I'm a research fellow focusing very much on the issues that you were discussing in the second half of your speech there.

I wanted to maybe kick ... I have a few questions of my own. I know you're keen to answer as many questions as possible from our audience here, but I have a few questions of my own. I'm in my element, as you can tell with the accent. I'm a dual US-UK citizen and an illicit finance nerd. So really been looking forward to this one.

I want to just start with the sort of 30,000 sort of type question. Marshall alluded to in his great introduction, that Brexit has kind of unlocked the UK's ability to do so many good things in the world, but it also has created a need for the UK to attract more foreign investment.

As you are thinking about implementing some of this new sort of national security regime, you're also having to bounce some measures, which maybe deter investment. You gave a great overview of how the whole London grad situation, how huge torrents of Russian money flooded into the city, which have now flooded out or been frozen hopefully.

Can you give us an insight into the conversations in White Hall, how that sort of shift happened and how those conversations are continuing to evolve? The prime minister's a finance background. You're a national security background. So how has the UK balancing these two competing priorities?

Tom Tugendhat:

So I think the prime minister set out his story very clearly. You are right. He's from a finance background. And you're also right that we're trying to grow the economy as every government should. But it shouldn't be grown at the cost of the security of our country in years to come. And it shouldn't be grown at the cost of the opportunity of British people to enjoy the prosperity that a network world of free countries enables.
And that's where the balance is coming and that's where the debate is, because the reality is that this debate has focused for a long time on the hopeful optimism that quite rightly shaped many views in the 1980s, '90s as the war, the Cold War was won.

What we need to do now is to recognize that the challenge that we are facing is not that we're about to lose, but that the erosion of those norms has changed the way in which we need to operationalize the institutions. And that means that we need to be thinking about what it means, what free trade means when the other party isn't free.

Nate Sibley:

That's great. You talked a lot about, you gave, as I said, a great overview of the Russian kleptocracy model, the London grad model that's kind of become pretty well known, I think even to sort of lay people who don't take a casual interest in illicit finance matters, the oligarchs, the way that their investments were controlled and directed and the corrosive effect that can have.

But I was struck in your speech how much you addressed the sometimes thorny issue of China. And you said that there are also now sort of red princelings in our midst, as well as Russian oligarchs or perhaps instead of Russian oligarchs. Is the financial threat from China different in nature? You talked about the secret police stations. We've had balloons flying overhead here recently. Without giving too much away, I suppose, what is different about the financial threat that China poses to national security from Russia?

Tom Tugendhat:

It's volume. We're dealing with a very, very different economy with a very, very different relationship. The reality is we do have to have a commercial relationship with China. In the 1950s and '60s, we had almost no commercial relationship with the Soviet Union. There was a little bit of energy sales and that was pretty much it. We do need a commercial relationship with China. We need to have a relationship with the Chinese people. The challenge is that we need to have it in a way that enables us both to have the liberties that we have the right to enjoy.

And the challenge that we've seen in recent years is that one side has been treating this as a very hostile approach. We've seen the attempts to interfere in our own systems, whether that's closing down academic debate in our universities. We've seen the attempts to secure monopoly positions from various different ways in which commercial activities have been taken. And we've seen the way in which the Chinese state has repressed its own debates at home and indeed in neighboring countries where we would otherwise be able to enjoy the kind of robust discussion that Brits and Americans are used to.

So it is a very different relationship and it's one that we need to be conscious of and it's certainly one we need to be conscious of as dependency has changed. If you look for example, so much of our foreign policy for the last a hundred years, it's been about the resources that we depend on. And many people have made arguments about our energy dependence on the Middle East, for example. But it's worth noting that at various points we were up to 15, maybe even sometimes higher dependence on oil from certain countries in the Middle East. We're now some 80% dependent for battery technology in China. We're very heavily dependent, 60%, 70%, 80% dependent for wind turbines or for solar panels on companies in China.
And that form of dependency means that we need to think really hard what resilience means, and we need to think very hard about what it means to invest in our future when we are injecting that level of dependence.

**Nate Sibley:**

I want to give you a chance to talk about some of the measures that you are bringing forward, the economic crime and corporate transparency bill. You mentioned the two economic crime bills are really accelerated to an unprecedented degree over the past year. Financial transparency, it sounds like a wishy-washy issue, but it's actually critical for national security because just to take one example, you can't do sanctions enforcement if you don't know where the money is, right? So we need things like beneficial ownership registers so that we know who really owns shell companies. We need real estate registers to show which foreign entities own land in our country. These are both things that the UK government has implemented.

I think I'd be the first to admit imperfectly, but also pioneeringly. And that's what I think the latest crime bill is designed to update and address-

**Tom Tugendhat:**

That's right-

**Nate Sibley:**

... some of the issues with those. I'd love you to talk about that. But would you also like to see, we don't have those measures in place yet in the US, which despite my best efforts campaigning over the years, many in this room. Is that something you think should be pretty much a standard between democracies who are looking to defend their financial integrity?

**Tom Tugendhat:**

I think you're right to say that we haven't had a great position to preach from over 30 or 40 years, but we are channeling that around. And I'm very pleased that this government is demonstrating the commitment to the ownership, to the beneficial ownership transparency that you speak about. Because it's absolutely right. You can't truly understand the influence on your country and on your decisions if you don't understand where the power lies. And economic power is a very significant element of democratic power. We know that.

And so finding out who owns what and where is absolutely essential. Now, I'm not the first person to have thought this. William the Conqueror when he wrote the Doomsday Book, was trying to do exactly the same thing a thousand years ago.

**Nate Sibley:**

I never thought of that.

**Tom Tugendhat:**

It's the first record of beneficial ownership.

**Nate Sibley:**
Yeah, yeah.

Tom Tugendhat:

It was written by William the Conquer. And there's many others who've updated it since in different ways. And so finding ways in which we can do so today is absolutely essential because the reality is that the challenge that we face is not British. If we're chasing dirty assets and we leave a UK jurisdiction and arrive in somebody else's, we need the cooperation that enables us to follow it. And if they don't have the ability, then they don't have the ability to help us.

Nate Sibley:

No.

Tom Tugendhat:

And that can be difficult.

Nate Sibley:

No, it's an interesting, it's something I have in conversations with the US law enforcement agencies all the time. They use the UK registers every day, like UK law enforcement does. As a matter of evidence, is helpful to law enforcement when they're doing sanctions evasion, but also illegal drugs, enforcement, all sorts of, and financial ... any form of financial crime.

Tom Tugendhat:

Look, the reality is here, what we're talking about. I mean, we're talking about economic crime as though it's a subset of we're talking about. I mean, we're talking about economic crime, as though, it's a subset or though it's a standalone issue. It's not. Economic crime is part of state threats, it's part of terrorism, it's part of narcotics, it's part of the general threat that all of us face and until we treat it like that, as we are trying to in the United Kingdom, until we all treat it like that, we're leaving ourselves exposed with vectors of attack that we haven't closed off.

Nate Sibley:

One of the things you mentioned, just following on from that, it's just about the issue of implementation and enforcement. There's a perception ... It's a generalization, so don't get offended but there's a perception when I talk with the counterparts in the UK who work on these issues, Transparency International and so on, that the US is very, very good at putting money, resources into enforcement, it's very aggressive about enforcement, if it passes a law and says it's going to do something, it does it and if you're a bad guy, you are going to get your door kicked in at some point by the FBI at about three in the morning.

On the flip side, the UK is a real leader when it comes to anti-corruption innovation with these registers and so on and so forth, but it doesn't put the necessary sort of resources ... It has the right rhetoric, it has the right political will and intention but the resources just aren't there for law enforcement to go after the bad guys using these tools.

Are you planning in the new legislation to beef up resources for the International Crime Agency and those groups that are tasked with doing that?
Tom Tugendhat:

I'd say that's historically perhaps fair but the reality is if you look at the national crime agency today, look at organizations within it like the Counter-Kleptocracy Cell, which I think is a fantastic example of what the UK can do when it puts its mind to it, you're seeing an enforceability that very few can replicate.

Now I know the United States has replicated parts of that as well, but very few others have and it's an extremely impressive capability that is beginning to close down many of those vectors that you spoke about. Now what we need to do, and you're absolutely right, is we need to find better ways of making sure that when our agencies take legal action against people, that doesn't result in their budgets being entirely consumed for a year and that we end up being able to support the kinds of actions that US officials in various different ways are able to do at the state and federal level.

Now there is work to do, and there's work to do for both of us and learning off each other, and that's why I'm here in the United States, because the reality is we share a complete commitment to the same ends. We share many, many of the same principles that go in at the fundament.

What we need to do is make sure that we're learning off each other, in terms of operationalizing the issues that challenge us.

Nate Sibley:

No, and to be fair, the US and the UK do have the closest relationship and there has been the most energy that I have seen between two countries in arranging that. Just finally, for me, my ears perked when you said that you've frozen over 18 billion pounds, was it?

Tom Tugendhat:

Pounds.

Nate Sibley:

Yup. You know, but repo countries, as a whole, which is sort of the G7, plus I think Japan and Australia, was it? I can't remember. Have frozen sort of collectively around 30 billion dollars. The UK holds ...

Tom Tugendhat:

Again, a lot.

Nate Sibley:

A huge chunk of the money that's been frozen. Are there plans to seize that money? Do you have the legal mechanism to do so? If you do so, are there plans to transfer that money to Ukraine?

Tom Tugendhat:
There are challenges there, and I think we've got to face them. The reality is that many laws that I spoke of guaranteed endlessly the property rights of barons, but I suppose oligarchs are the modern barons, aren't they?

The guaranteed property rights and various elements of our common law have always been clear, that seizure has to be in very, very constrained circumstances. What I'd like to do, and this is a conversation that we are having with common law jurisdictions, is to find ways in which we can approach this.

Now I'm not going to pretend I've got an answer now, I don't, but we are looking for answers and we're looking for ways in which to do this. We are seeing that pressure can make a difference as well, many of you will know that one sanctioned individual looks like he's going to surrender the sanctioned money, the frozen money in order to enable the reconstruction work in Ukraine and around the world that has been caused by the brutality of Russian aggression against the Ukrainian people, so there are ... It's not just legal. There is also social pressure that can be put.

**Nate Sibley:**

Well, I guess to what sanctions are for, which is always an interesting question, because I think most people just think, "Oh, sanctions, that's what we do when bad guys do something instead of shooting them" or something like that. You know, maybe that's the thing that policy makers reach for instead of more confrontational measures.

How do you see this sort of playing out? If we call it the oligarchs sanctions regime, as opposed to the sort of central bank sanctions regime, what is ... You talked about this one oligarch, I think he's offered to surrender his wealth, presumably to get off the sanctions list. Do you think the rest of these oligarchs are just going to stay on the sanctions list the rest of their lives? Are there off-ramps for them? Should there be off-ramps for them? How do you think about that?

**Tom Tugendhat:**

There's a lot of conversation about this, and whichever answer you choose raises challenges, but I think it is important that ... To focus on what we're trying to do, what we're trying to do is we're trying to recognize that much of this money is stolen off the Russian people, first of all, in various different ways and its sanctioned because of the ways in which these individuals are now sustaining one of the most murderous and barbaric regimes the world has seen in 70, 80 years.

Finding ways to address that is important but what's also important is finding ways to encourage them to choose, to make better choices, as teachers would put it. You know, helping people to see that there is an alternative, and so an off-ramp would have to be carefully calibrated but if we can find an off-ramp, that would be a useful achievement.

**Nate Sibley:**

Okay. Well, I've been hogging you, so I'm going to open it up for questions. We have a little bit of time here. I think you were first. If you can just state your name and affiliation and keep questions reasonably sort of succinct, just for the rest of the audience.

**PK Semler:**

Yeah. My first ... PK Semler, I'm with Capitol Intelligence, CI Ukraine service. My question is to the minister, it looks like there's an emergency meeting at the White House over Ukraine, the joint chief of staff, and one of the questions you've been very much in Ukraine.

My other question is have you talked to our Attorney General Merrick Garland about using the long arm of the US law regarding the oligarchs. One of the things is you have BVI, British Virgin Islands, a lot of the oligarch companies are incorporated there in your territory, so will you be working with the US Justice Department to make sure that these oligarchs do get prosecuted in the US? We have a better record of taking these people like Firtash and putting them into US jails. Thank you.

Tom Tugendhat:

First of all, meetings in the White House, I'm not regularly invited to them. Not since we burnt it down 200 years ago.

The cooperation on different forms of prosecution is one of the reasons I'm here. I've been meeting with people in the Department of Justice, including the FBI, to talk about how we share intelligence, how we share information to make sure that we're enabling each other, because as Nate mentioned, as you mentioned, we do have different talents, right? And we are doing different things to different levels of success.

Areas where you're able to advance an end stage is certainly very welcome.

PK Semler:

The BVI?

Tom Tugendhat:

Sorry. Well, on the BVIs and the BVI and USVI, I mean, yes, those areas of cooperation are absolutely essential.

Nate Sibley:

I think you were next.

Jonoathan Rusch:

Jonathan Rusch, American University of Washington, college of law. Since 2021, President Biden, the Biden administration have explicitly adopted the concept of corruption as a national security priority, and infused that into a national strategy for combating corruption.

Now that's our conceptualization but to what extent, do you think UK government policy is similarly influenced with that kind of conceptualization? In other words, to what extent do you think that apart from our general common goal in combating corruption, do you think that that idea of linkage between corruption and national security priority infuses the thinking about how UK government should respond?

Tom Tugendhat:
I think it's very, very similar. The reality is that when you remove the rule of law, you remove the ability of people to predict the future and to be secure in their future by any other way, other than the use of violence and corruption, and so fighting corruption is a way of making sure that you do not see the path continue to the inevitable, which is the export of violence.

Whatever state you're in, the erosion in the rule of law will always lead to the rise in violence. Sadly, we're seeing it in the most egregious sense in Russia today, but it's true around the world and that's why fighting corruption is so important.

Nate Sibley:

Chris, I think you were next, and then I'll continue.

Chris Walker:

Mr. Minister, thank you for your clear-minded remarks. Chris Walker at the National Endowment for Democracy. You've described the steps that the UK with the US, in some instances, are taking to kind of turn the tide and get out front of these issues that have been growing over a period of time. I wonder if you can say a word about other parts of the world that don't have the institutions and resources to deal with the sweeping engagement from China and Russia, alike, Latin America, Sub Saharan Africa, could even include parts of the western Balkans in this conversation, terms of the kleptocracy, information, technological penetration and what we should be thinking about in these systems that are going to need a lot of help to compete and get themselves to defend their own integrity?

Tom Tugendhat:

This is where I think the actions that we take are so important, because the reality is markets like ours, whether you're in the US or the UK, are the kind of places where people come to put their wealth for an insurance policy against the future.

If you're in a jurisdiction that may be vulnerable, that may be used to political turmoil, you may well invest in US or UK assets in order to secure a future for your family and for your children, that you couldn't expect if you merely owned property or assets at home.

What we do, how we do beneficial ownerships, and the way in which we fight corruption is fundamental to helping these people resist against the pressures of corrupting regimes, that come and seek to influence them, because if you can't hide your money in London or New York, you're significantly less likely to steal it and try to hide it in the countries you hinted at.

Therefore, if we want to secure democracy around the world, which, certainly, we do not by force but by encouragement, then helping people to have a state in which corruption isn't part of life would be extremely helpful.

Nate Sibley:

Alex, over in the middle was next.

Alex Jacobs:
Minister, thank you very much for your speech and your continued leadership from the foreign affairs committee through to today. My name is Alex Jacobs from the Joffe Trust from the UK. We work, particularly, on listed finance.

I wondered if you could say something about the competing principles of privacy and transparency around the beneficial ownership registers. I'm sure you're very familiar with the challenge in the European courts on this, and whether you could reconfirm that the UK government would expect our crown dependencies and overseas territories to implement public beneficial ownership registers by the end of this year, and the UK government will continue to be committed to public access.

Tom Tugendhat:

First of all, the UK government's position on that hasn't changed. Secondly, there is a difference between secrecy and privacy. We have the right to a private life. Everybody has the right to a private life. That is not the same as the right to a secret life.

What we're challenging here through beneficial ownerships and transparency is that attack on secrecy, the ability to behave in ways that fundamentally undermine the rule of law and the accountability that systems should have to each other, and we've been talking about the UK and the US but we could be talking about any other country too.

The reality is that if you don't have that level of accountability, if it's undermined by secrecy, not privacy, then you're in a very different world.

Nate Sibley:

This is a big argument we had here when we had the corporate transparency act pass last year. There's a huge lobby ... I think it was mainly the small business lobby, that was their main argument and it was that this was not only going to be a business burden, which the UK demonstrably proved.

Tom Tugendhat:

It's not a burden. You know, transparency is not a burden. It is a recognition of the reality of the nature of power in a modern democracy.

Nate Sibley:

Yup.

Tom Tugendhat:

That if you want to have accountable government, if you want to have a fair tax system, if you want to have an awareness of where pressure on your economy, on your democracy comes from, you need to know.

Nate Sibley:

Sure. It also ... I sat with my brother-in-law as he setup his UK company a couple of Christmases ago. It literally took him 30 seconds to fill out the beneficial ownership declaration,
and then he patiently was onto the next bit. It's not a burden and, as you said, there's a difference between privacy and secrecy. Do we have any more questions? I'm going to get fired if I don't come to John Walters, my boss, in the front row there.

John Walters:

First, I want to thank the minister for being here, thanks for the hard work, and your long service and risk of your own life in service to the goals of our two countries.

I wondered, Hudson was originally founded to think more strategically about things and you're talking about some of the laws and concepts here but I wonder if you think we have done an adequate job of thinking of this in strategic terms, if the rise of transnational crime, of oligarchic rule, as an alternative, if the use of these forces to undermine democratic and popular governments is deserving of much more profound evidence rather than just saying, "Well, there's some bad guys over there, we want to take away their money" or, "There's corruption of some of our ..."

I think the difference sometimes talked about between a law enforcement problem and a national security problem, but I wonder if you think we have the right strategic conceptions of the overall threat and the parts of it or whether that needs more clarity in the work that we need to do ahead.

Tom Tugendhat:

John, I think that's a very good question and it's interesting. It's my job as security minister includes some elements in law enforcement and large elements of national security. If I'm honest, it's very hard to put the line on an appropriate place on that, because is the use of cash to buy crypto in a drugs world to get that crypto out of the country that is then used to buy weapons that is then used to enable terror groups. Is that crime, or is that national security? Or is it both? Of course it's both. And the same is true on so many other areas where you see this interlocking element. If you look at ransomware for example, the individuals that we sanctioned yesterday is an attack on 235 hospitals in the United States. Is that crime because you're trying to get the ransom, you're trying to get the payment? Or is it a test for a national security threat that will bring down US medical systems? I mean it's both, right?

And the reality is that the overlap between crime and national security is very great. And that's why, coming to your extremely well made point, if you look at the strategy of this, if you look at the fundamentals of this, the basic attempt of all humans for thousands of years has been to predict the future, right? And we've done it in various different ways, casting knuckle bones on the ground or looking at the weather app on Apple and hoping it's correct.

But fundamentally, the only way in which you predict the future in human societies, you create rules and you stick to them. We call it the rule of law, we can call it whatever you like, but that ability to create rules and stick to them is the basic human algorithm. If you don't do that, the only alternative of the basic human algorithm of the rule of law is the rule of force. And the rule of force can only come about if you erode the rule of law. Can only come about if you do not stand up and defend the elements that make you able to stand together as a community.

Because the rule of law allows you to stand together as a much greater community. The rule of force reduces you inherently to smaller groups, fighting bans if you like. And so fighting
corruption is a way of making sure that that arrow that is never absolute in either direction, arcs towards law and away from force and violence.

Nate Sibley:
Oh, Gary Kalman, in the back there.

Gary Kalman:
Thanks. Hi. Thank you minister. My name's Gary Kalman. I'm with Transparency International US. My question is, one of the things that we've seen, a little bit more of a, I suppose, practical question here. Is the development of REPO and the individual task forces in the country have moved information sharing much more rapidly than we've seen in the past. It used to take months or years to share information, and now we're seeing information moving between borders much more quickly. This is, for some of us, very exciting in terms of, are there lessons from REPO that we could take and move forward and potentially expand? I mean, not necessarily REPO itself, but come out of this with a much more expanded, more nations involved, and use those lessons to move information more quickly, not just for this crisis, but into the future.

Tom Tugendhat:
So I think the work that Transparency International does is incredibly important, because what you are quite rightly doing is pointing a finger. Those of us who could do better. And I think that's hugely important. And I think you are also right, that the lessons that we draw, and I hope I tried to make this point, clearly didn't make it quite well enough. But the lessons that we draw on the from the oligarchs, we need to be applying in other areas. Because this isn't just about Russian oligarchs, it's not just about the Kremlin. Yes, it's one of the most egregious examples. Yes, Putin is one of the wealthiest men in the world. Yes, he surround himself by a bunch of thieves who depend on him entirely for their continued existence. But he's not alone. There are others, you know. There are other princes, there are other emperors who go around with their similar criminal enterprises. Other mafia economies that are similarity threatening, and we need to make sure that we are learning off one to apply it to others.

Nate Sibley:
I think the UK and the US have a special data sharing agreement, which came into effect-

Tom Tugendhat:
A few weeks ago.

Nate Sibley:
A few weeks ago it was, yeah. So it'd be interesting to see how that plays out.

Tom Tugendhat:
Well, I can tell you it started recently, it's already providing extremely useful cooperative information. And I mean, it's early days, but I look forward to seeing how it grows, and I look forward to seeing how we can tune it so that it better serves the needs of both sides. Yeah.

**Nate Sibley:**

Okay. Oh, Abby.

**Abby Fu:**

Hi. Thank you, minister. I'm Abby Fu, research fellow here at Hudson, focusing on international economics and China. My question is, as we've seen with the incident at the Manchester Consulate, as you mentioned in your speech, we should be focused not just about American or British citizens, but also people that reside in the US and UK that could potentially be threatened by the Chinese in terms of certain political action or freedom of speech. And I was wondering if you had any comments on that specifically?

**Tom Tugendhat:**

Thank you. Sure. Look, I mean, I think you make a very good point. And three or four years ago, I wrote a piece for Atlantic. Am I allowed to mention them here? It's probably a bit left wing for you. I wrote a piece in Atlantic about British nationals overseas, and the duty that we as the UK owed those British nationals overseas. Hong Kongers, who were seeing their rights eroded. And I made the argument, which I stand by, which is that British nationals, wherever they are in the world, have the same right of protection of the British state. And if that right is being eroded, then they should have the rights to come to the UK. Due to various decisions made in the 1980s that those rights have been changed.

And I'm very glad that Priti Patel, the then home secretary, made the reforms necessary to allow Hong Kongers with connections to the UK to come home. And I'm extremely pleased that many have chosen to do so. We've got a large and growing Hong Konger population in the United Kingdom of people who quite rightly feel that they have the rights to be in the United Kingdom. They feel it because it's true, they do.

And this is where I think we've got to be really clear-eyed when we're talking about some of these threats. Because it's unlikely that I'm going to be facing significant personal threats from the Ministry of State Security or its invoice in the UK or through the consulate system of the Chinese state. But it is very likely that they are. And so when we talk about defending ourselves against the CCP or against other transnational threats, we've got to recognize that what we're doing is we're protecting those who are most likely to be in danger. And that is very often the population with the strongest connection to the threatening state, in this case, Chinese nationals who may be studying in our university, Hong Kongers who may be resident in the United Kingdom. And so I think we need to be very clear that those who would use this in order to try to separate us or to try and make absurd racial arguments, it's ridiculous. It's not bad. It's about defending those in the UK or in the United States, and making sure that people are protected and able to live their lives freely.

**Nate Sibley:**
Time for just one more. I'll go to the back corner. Oh, lady in the beige coat. Sorry, I can't... Don't have my glasses on. If I know you... Apologies. I can't, I can't. Your face is all fuzzy, so.

Fatima Hussein:
Hi, I'm Fatima Hussein with the Associated Press.

Nate Sibley:
Oh, I do know you, sorry.

Fatima Hussein:
Yeah. Photographer.
Yeah, so I have a very general audience, the average American reader. I've been following, and we've all been following the sanctions.

Tom Tugendhat:
Ah, forgive me. My hearing is absolutely appalling.

Fatima Hussein:
Can you hear, is this working? Yeah? Okay. We have a very general audience at the Associated Press. And in talking to the average American, they, many other people and experts have said, why are the impacts of the sanctions taking so long? At what point will we see Russia essentially crumble and this war end? Can you explain to the average person, which I intend to write a story about the impact of sanctions, especially a year after they've been implemented. Why are they taking so long to have a major impact seeing how Russia's economy is actually going to do better according to the IMF than the UK?

Tom Tugendhat:
So first of all, the sanctions aren't taking long. Let me explain why. I would argue that because the sanctions are there to stop the finances that have been stolen off the Russian people being used to leverage harm against us or against the Ukrainians to finance more of this war. And what the sanctions have done is they've frozen literally billions of dollars of assets, and constrained the actions of the Russian state by doing so. Because a lot of these oligarchs, you may think that it was their money, it wasn't their money. It was held under license. And if Putin asked for it to spend on an assassination or to spend on an Olympic games, he could simply ask for it and demand that it was paid. Now, what we've managed to do is close down quite a lot of his ability to act abroad by closing down his financial levers.

What you are asking about is why hasn't it collapsed the Russian state? Because that's not what it's designed to do. The reality is Russia is a very, very large country. It has energy and food resources that are very great, and we're not trying to collapse the Russian state. What we're trying to do is to stop the Russian state threatening its neighbors. And that's what these sanctions are doing. So we've got to look at what the intent is, not just what some people may wish to happen. And that's why I think we need to focus on looking at it. Frankly, it is succeeding. It is making a huge difference.
And what's quite remarkable, if I may, is the way in which many other countries have reformed themselves in the last 12 months, away from dependency on Russia. If you were to ask many of us I think in this room only a year ago, what effect the closure of energy connections between Russia and other Eastern European countries would've had, we'd have predicted the varying degrees, economic hardship and dependency, would've predicted the fracturing of the Western Alliance. But none of that has happened, and it hasn't happened because actually countries have adapted extremely well, and overcome some rather appalling decisions over the last decade or more into some better ones in recent years. So I'm looking forward very much to a growing awareness of that energy security and economic security are connected. And if you want independence, you need both.

Nate Sibley:

Just to sort of wrap and following on from Fatima's question. But reflecting on a week of meetings with your counterparts in Washington. Are we moving, is that process happening fast enough? It took a new land war in Europe for us to get serious about democratic resilience in our own societies. Is that political momentum going to carry on? Are we go or are we going to need another big shock to the system to do the next round and keep us safer? Is it going to take the invasion of Taiwan or something, just to be blunt?

Tom Tugendhat:

So first of all, I hope that doesn't happen. But look, I've spent five years calling this out. So if you ask me, has it happened fast enough? No, of course it hasn't happened fast enough. But the reality is that for any of us who worked in government, the frustration of inertia is just the nature of a democratic system that has checks and balances and accountability. You may not like it, but trust me, it's better than the alternative.

And the reality is that the direction, I think, is now very clearly set. Look, it's very hard now to meet a large commercial entity that doesn't talk about resilience. That doesn't say, hang on a minute, if I'm buying, if I'm planning to go green, where am I getting the batteries from? Am I buying batteries that are made from products mined by children in Africa, turned into products by slaves in China? And am I embedding a dependency into my economic future that will fail every ESG test today, let alone tomorrow? You won't find companies making those decisions in the same way today. People are in a very different place, and I don't see that going backwards. Because the reality is clear that we know now very clearly what's happening in many countries around the world.

We know, because I'm afraid Russia has proved it, what the risks are, not just to their neighbors, but also to the rest of us. You just need to talk to Lebanese or Egyptian families to know what the impact of the war in Ukraine was. You just need to talk to people in Algeria or Morocco to know what the war in Ukraine did to their food prices, to their ability to feed their families. And it's been destructive, it's been hugely destructive. Putin's reach has harmed literally millions of people around the world, tens of millions of people around the world. And we know therefore that that level of dependency, that level of interaction has changed. And so I think there's a growing awareness that resilience is something we all need to think about differently. We need to talk about how we work with friends and allies and are dependent on people we can trust, and not find ourselves exposed, as sadly, through various hopeful reasons many people did in recent decades.
Nate Sibley:
Along that hopeful note, thank you for your time today, minister. We've run over a bit. Sorry about that. But this was all great stuff and I was delighted by pretty much everything you said. So yeah, thank you for your continued leadership. Stretching back to Parliament. And I hope it may continue. Maybe we have you back at Hudson Institute in the near future.

Tom Tugendhat:
Thanks, mate. Nice to see you.