

# THE POL ICY PRIS M

YOUR QUARTERLY TRANSATLANTIC LEGISLATIVE NEWS  
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# INTRO

The Policy Prism is a quarterly newsletter providing the latest on transatlantic legislative news to policymakers on both sides of the Atlantic.

In this issue, Section I on the impact of Russian illicit financial networks in the West is meant for all readers. Those in Europe may wish to continue to Section II, which provides some of the latest Capitol Hill news on issues of transatlantic interest. American readers may want to skip to Section III for some of the latest happenings in Brussels. We hope readers everywhere will enjoy the fun fact in Section IV.

**Happy reading!**

## SECTION I: U.S.-EU



### KEY POINTS

- Russia has the world's largest volume of dark money hidden abroad.
- As Brussels develops its own anti-corruption mechanism, it should look to the United States for guidance. The U.S. has used the Global Magnitsky Human Rights Accountability Act since 2016 to fight foreign corruption.
- Baltic states are easy targets to Russian money. Estonian and Latvian subsidiaries of European banks have been enmeshed in Russian financial scandals.

Russia's invasion of Ukraine has prompted the U.S. and its European allies to impose harsh financial sanctions and import controls to ravage the Russian economy and isolate it from world markets. The measures include banning some Russian banks from the SWIFT international payment network, which leaves them disconnected from the global financial system. The ruble consequently collapsed, and long lines at Russian ATMs formed as depositors scrambled to get cash. The average citizen, however, is not the target of the West's unprecedented action. The goal is rather to go after Russian oligarchs and President Vladimir Putin's political entourage who use global markets for illicit financial gain.

Washington has in recent years become more concerned about the Kremlin's finances and those of the oligarchs who help prop up the Putin regime. A recent Atlantic Council report concludes that Russia has the world's largest volume

of dark money hidden abroad. The U.S. government has focused attention on activities financed by this money, and it has good reason to do so since the harm done by these illicit funds has long manifested itself. In 2011, the famed Russian "Merchant of Death", Viktor Bout, was convicted on four counts, including conspiring to kill Americans and conspiring to provide material support to terrorists. Bout used Delaware as a financial haven to form the world's largest weapons trafficking network. More recently, illicit Russian funds were found behind disinformation campaigns unleashed in the U.S. during the 2016 election cycle. The financing was, in part, through opaque cryptocurrency transactions.

Tackling financial fraud has been one of the few issues that garners bipartisan support in a politically polarized Congress. In the House, representatives of both parties came together in June 2021 to launch the Caucus Against Foreign Corruption and Kleptocracy. Their aim is to educate other members of Congress about corruption overseas and to promote bipartisan initiatives to fight kleptocracy. In the same month President Joe Biden declared fighting corruption to be a core U.S. national security interest, and Treasury Secretary Janet Yellen admitted at December's Summit for Democracy that "...right now, the best place to hide and launder ill-gotten gains is actually the United States." She also announced the establishment of a "kleptocracy fund" to reward those who expose foreign actors who exploit the U.S. financial system. In tandem with these efforts,

the Biden administration released a strategy on countering corruption with a focus on tackling fraudulent funding mechanisms in the U.S.

Still, a transatlantic approach is necessary for countering illegal Russian financial systems. The Baltic states have been found to be more susceptible to money laundering, with Russia using the former Soviet republics as transit points to larger markets. ABLV, one of Latvia's largest banks, voluntarily liquidated itself after U.S. authorities accused it of money laundering. But the case is hardly unique. Estonia ejected Swedbank and Danske Bank after accusations of dirty-money transactions. The funds often end up in the U.S. and the United Kingdom, countries with highly developed financial markets and limited disclosure requirements for financial transactions. The threat posed to Western democracy by these transactions is difficult to exaggerate. The funds involved have been linked to espionage operations and disinformation campaigns on both sides of the Atlantic.

For its part, the European Commission adopted in July 2021 several legislative proposals that seek to strengthen the EU's anti-money laundering and countering the financing of terrorism (AML/CFT) rules. At the core of these proposals is the creation of a new EU authority designed to improve coordination with national financial intelligence units and the private sector. As Brussels continues this effort, the U.S. can provide valuable guidance. Washington has used since 2016 the Global Magnitsky Human Rights Accountability Act to fight corruption outside its borders. The legislation

should be a model for an EU anti-corruption mechanism.

Establishing a foundation for full transparency of financial institutions and transactions would strengthen democracy worldwide. For the U.S., measures that ensure elections are free from foreign financial influence could dispel some of the growing doubts about free and fair results. In Europe, given France's upcoming April presidential election, greater transparency could dispel concerns about strings attached to Russian bank loans to campaigns. Far-right candidate Marine Le Pen's National Front (rebranded to National Rally) received such funding ahead of the 2017 vote. While the loans were legal, political observers expressed concern about Russian tentacles infiltrating the election process.



## SECTION II: HAPPENING ON THE HILL



### KEY POINTS

- The Freedom to Vote: John R. Lewis Act passed the House but failed in the Senate after two Democrats and all Republicans in the upper chamber refused to support the legislation.
- President Biden has nominated Judge Ketanji Brown Jackson to fill a soon-to-be-vacant Supreme Court seat. If confirmed by the Senate, she would be the first African American woman to sit on the Supreme Court.

The Biden administration has made voting rights a top domestic priority. White House Spokesperson Andrew Bates: “The President has been crystal clear that the pending voting rights legislation, the Freedom to Vote Act and the John Lewis Voting Rights Advancement Act, are essential for protecting the constitutional right to vote, the rule of law, and the integrity of our elections...” These two acts passed the House as a single piece of legislation, the Freedom to Vote: John R. Lewis Act. The bill comprehensively addresses voter access, election integrity, civic participation, and empowerment. It proposes several initiatives, among them making election day a national holiday, ending partisan gerrymandering, and requiring transparency for online political ads. Democrats argued that passage would be a rare opportunity to bolster American democracy by expanding voter rights.

Having gotten House approval, the legislation awaited deliberation in the Senate. It failed to get that far, however, after Democrats were unable to convince two of their own and any Republicans to bring the bill forward.

Even with greater support, Democrats would still have faced the challenge of obtaining the 60 votes needed to avert a Republican filibuster on the Senate floor. In a surprising development that reflected the importance of the legislation to his administration, President Biden called for amending filibuster rules so that the bill could pass with a simple majority. Many Democrats fruitlessly looked for ways to do that.

Democrats have now shifted their attention to the Supreme Court. With Justice Stephen Breyer’s retirement announcement, President Biden nominated Judge Ketanji Brown Jackson to assume the soon-to-be-vacant seat. She would be the first African American woman to sit on the court if she receives Senate confirmation, which is expected by mid-April. Jackson has received initial bipartisan endorsement. With Justice Breyer expected to step down in June or July, at the end of the court’s current term, Jackson, if confirmed, will begin working alongside the other justices in October. She is likely to support the Biden administration’s quest to expand voting rights. The Court will nevertheless retain a 6-3 conservative majority.



## KEY POINTS

- Intensified discussions on energy security have followed the invasion of Ukraine since about 40% of European natural gas comes from Russia.
- The European Green Deal offers an alternative to Russian gas for Europe, but intra-European debate about categorization of transitional technologies has slowed progress.
- The U.S.-EU Energy Council convened in February to discuss transatlantic energy security.

In the shadow of the war in Ukraine, EU discussions on energy dependency have revved up. With about 40% of their natural gas supply coming from Russia, Europeans have good reason to be concerned. EU member states have already taken major steps to address the situation and disconnect from the Russian energy market to limit their exposure to a politically unreliable trading partner. Perhaps most notably, Germany has halted the highly criticized Nord Stream 2 pipeline.

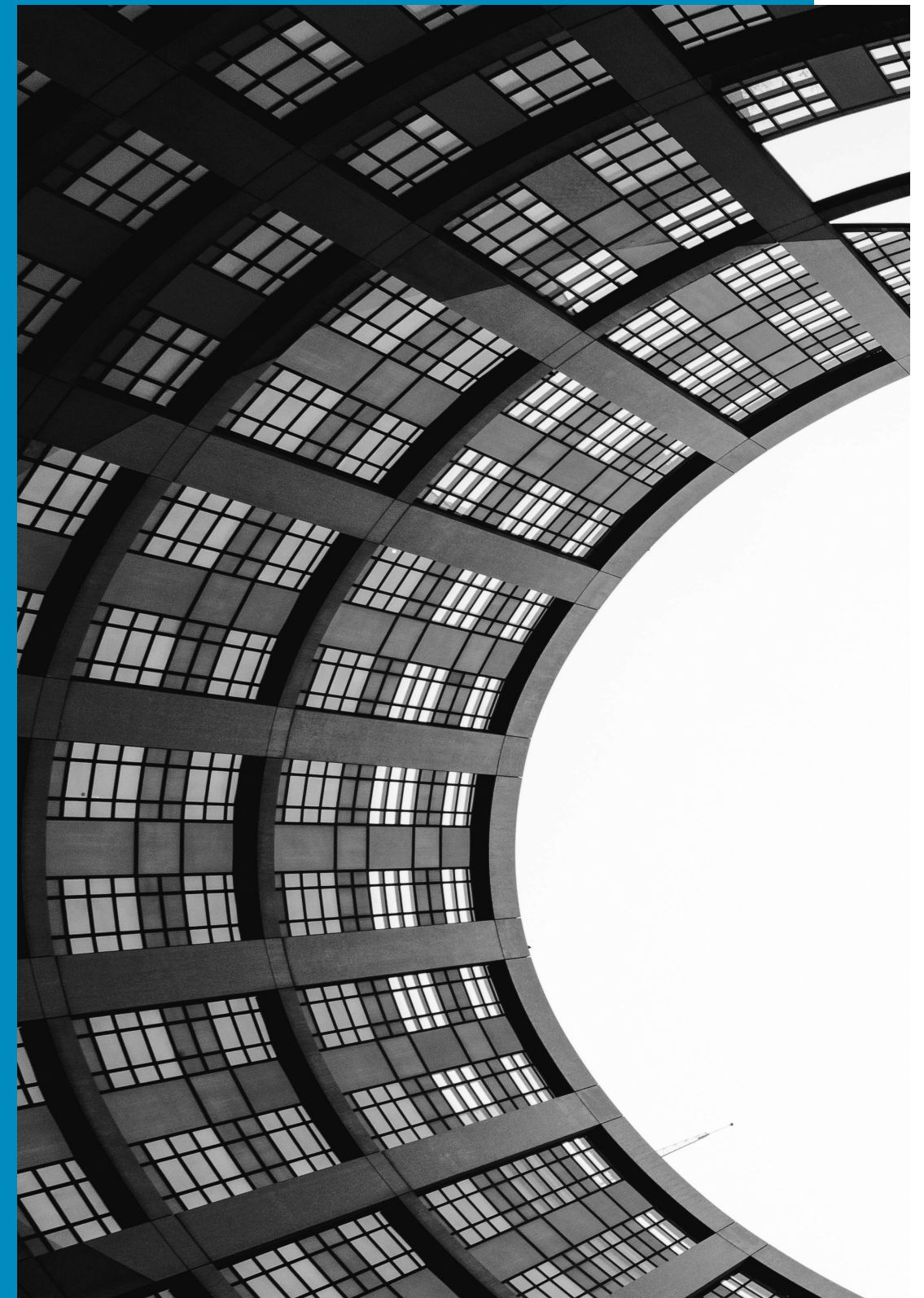
The EU has actually long debated energy policy. Recognizing the need to wean themselves off Kremlin oil and gas, Europeans have looked to two alternatives, the EastMed pipeline and the European Green Deal. The former is a planned 1,900-kilometer natural gas connection to bring reserves from the eastern Mediterranean to Greece. The European Commission in 2019 declared the pipeline to be a Project of Common Interest and contributed more than €30 million to study its construction. But there is resistance to it. Environmental activists argue the project should not have the Commission's support since it would make climate

goals unattainable. The Biden administration expressed its own financial viability and environmental concerns in a memo to the Greek government.

Intra-EU debate on the path to a green transition, as outlined in the European Green Deal, is also lively. A recent EU proposal categorized natural gas and nuclear power as transitional technologies, which led to a dispute about the very definition of green energy. France, which gets 70% of its electricity from nuclear energy, welcomed the decision while other member states, including Germany and Spain, continue to argue that investment in renewables is a better strategy.

Europe's energy future is also a top item on the transatlantic agenda. The ninth U.S.-EU Energy Council convened in February for the first time after a four-year hiatus. Inspired by the joint statement on transatlantic energy security released in late January by President Biden and European Commission President Ursula von der Leyen, Council talks focused on a mutual commitment to energy security and a just and clean energy transition to climate neutrality. In the wake of events in Ukraine, the Council also discussed intensifying short-term efforts for ensuring adequate energy supplies for Europe. Energy diplomacy is crucial now, but diplomacy must translate to action. The Council has three working groups for support: the Energy Technology Working Group, the Energy Policy Working Group, and the Energy Security Working Group. Tracking their work will be key to seeing if Council aspirations become realities.

## SECTION III: SPOTLIGHT ON STRASBOURG





## SECTION IV: HISTORY IN THE PRESENT



### THE FRENCH EVOLUTION

A nod to France's EU Council Presidency.

Many believe that the internet was created by the U.S. Defense Advanced Research Project Agency (DARPA). Actually, France was first to introduce a prototype in the early 1990s. The Minitel computer terminals offered more than 25,000 online services to users, including accessing news, playing games, and even ordering groceries. The French soon found their closed network approach openly challenged by the introduction of the internet. Ultimately, as we know now, Minitel lost the fight, but its digital footprint cannot be deleted.