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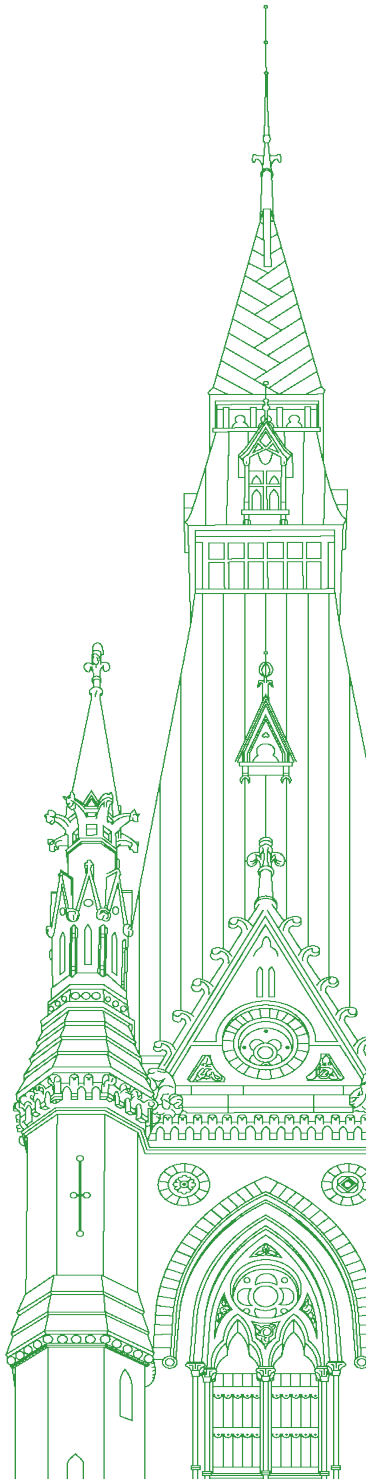

Chair: The Honourable Geoff Regan

Special Committee on Canada-China Relations

Monday, April 19, 2021

● (1835)

[*English*]

The Chair (Hon. Geoff Regan (Halifax West, Lib.)): I call this meeting to order.

Welcome to meeting number 23 of the Special Committee on Canada-China Relations.

Pursuant to the order of reference of Wednesday, September 23, 2020, the committee is meeting on its study of Canada-China relations.

[*Translation*]

Today's meeting is in hybrid format, pursuant to the motion adopted in the House on January 25, 2021.

[*English*]

For our first panel today, I'd like to welcome Carolyn Bartholomew, chairman of the United States-China Economic and Security Review Commission.

Thank you very much for accepting our invitation to be here tonight.

Please proceed with your opening remarks. You have five minutes.

Ms. Carolyn Bartholomew (Chairman, United States-China Economic and Security Review Commission): Thank you for the opportunity to speak today.

For those of you who don't know, the U.S.-China commission was established by Congress when it voted essentially to pave the way for China to join the WTO, out of lingering concerns about what that would mean. We do a report, 575 pages with recommendations to Congress, which I'm happy to send copies of. I think it's important to acknowledge that we are bipartisan, sometimes one of the only bipartisan institutions functioning here in Washington, D.C.

Our countries, of course, share not only a border, but also values: belief in democracy, human rights and the rule of law; respect for freedom of speech, religion, association; and a free press. We stand with you in opposition to the unjust imprisonment of the two Michaels and urge their immediate release.

Our shared values are increasingly in conflict with and under assault by the Chinese Communist Party. Last Wednesday, FBI director Chris Wray, testifying before the Senate intelligence committee, said:

> I don't think there is any country that presents a more severe threat to our innovation, our economic security and our democratic ideas. And the tools in their toolbox to influence our businesses, our academic institutions, our governments at all levels are deep and wide and persistent.

He noted that the agency is opening an investigation into various Chinese government actions here in the United States every 10 hours and currently has over 2,000 investigations that tie back to the Chinese government.

A major tool for CCP influence is the United Front Work Department, which seeks to co-opt and neutralize sources of potential opposition to the policies and authority of the Chinese Communist Party. The United Front's efforts take place both within and outside China.

The United Front has played an increasing role in China's foreign policy since Xi Jinping's leadership began. In 2019 alone, China's national and regional United Front systems spent more than $2.6 billion U.S., more than the budget of China's Ministry of Foreign Affairs.

The mission of the United Front's work includes the goal of "guiding" overseas Chinese to ensure they support the CCP. There is also a strong focus on co-opting and influencing non-ethnic Chinese foreign elites. United Front activities are tricky to discuss in light of increasing xenophobia and violence against Asian Americans. We must be careful always to draw a distinction between the CCP and the Chinese people.

One major target of the United Front is Chinese-language media in non-Chinese countries, which they seek to co-opt or outright control, ensuring the CCP controls the flow of information available to Chinese speakers. For example, the China News Service, an official Chinese government Chinese-language news platform, which also covertly runs other overseas media agencies, is officially part of the Overseas Chinese Affairs Office, which is controlled by the United Front.

To address concerns about CCP influence in media, the U.S.-China commission has recommended, among other things, that the U.S. Congress strengthen the Foreign Agents Registration Act to require the registration of all staff of Chinese state-run media entities, given that Chinese intelligence-gathering and information warfare efforts are known to involve staff of Chinese state-run media organizations. We've also recommended that Congress modify communications regulations to require greater transparency regarding Chinese government ownership of media outlets and the clear labelling of media content sponsored by the Chinese government.

The United Front-affiliated organizations include Chinese students and scholars associations, Confucius Institutes and professional organizations, which offer benefits and support for Chinese students on university and college campuses. This support includes social networking, assistance finding housing and professional advancement. In return, students are expected to rebut any criticism of the CCP and to encourage support for CCP's global rise. Other sources of leverage exist for pressuring students and others who are uncooperative, including Uighurs, such as threatening family members back in China.

The U.S. Department of Justice late last year charged multiple individuals for their alleged attempts to threaten, coerce or harass certain residents of the United States to repatriate to China. Eight individuals were charged with conspiring to act in the U.S. as illegal agents of the PRC, with six also facing charges for conspiring to commit interstate and international stalking.

Attacks on freedom of speech on campuses are rising, such as attacks on students who support the Hong Kong pro-democracy movement, and challenges inside classrooms to teachings that question the CCP's narrative. At the same time, there is pressure to self-censor, which of course is a less visible response to the United Front's tactics. This trend is a direct threat to academic freedom.

The United Front leverages transnational professional organizations, such as the China Association for Science and Technology and returned scholars associations, to pull in Chinese students and scholars as a labour pool for national priorities and technology development. Some of these organizations appear to be independent but are actually subordinate to the official United Front Work Department. These efforts incentivize the transfer of research to entities within China. The sheer scale at which these transfers occur makes the effort strategically significant and potentially harmful.

The United Front's strategy also seeks to gain support of foreign corporations and business interests by weaponizing China's economy, leveraging the promise of continued or expanded access to Chinese markets to persuade these corporations to pressure their governments to adopt policies friendly to the CCP's interest. This strategy also includes extensive use of traditional lobbying.

Policy responses should include a focus on increased transparency, which would also create increased awareness of funding sources and affiliations with foreign principals.

The U.S. and Canada are not alone in facing increasing Chinese influence operations. Countries around the world are experiencing the push and pull of the CCP's desire for power, influence and primacy. Australia, of course, has been a testing ground for much United Front Work activity, as has Estonia.

In February, Estonia's foreign intelligence service issued an annual report that highlighted Beijing's strong ability to conduct influence operations in the west through economic leverage, surveillance of Chinese nationals abroad and the cultivating of local elites.

We share the challenge of facing the CCP's influence operations and must all work together on effective responses.

● (1840)

The Chair: Thank you very much, Ms. Bartholomew.

We'll now start our first round of questions with Mr. Chong for six minutes.

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Mr. Chair.

Thank you, Chairman Bartholomew, for taking the time to appear in front of us today. I read your report—not the entire 500-page report, but the executive report. Thank you very much for producing a shorter executive summary for people like me.

What is your view of the belt and road initiative? More specifically, what is your view of the China-led Asian Infrastructure Investment Bank?

Ms. Carolyn Bartholomew: Okay, here's the point at which I'm going to say that some of the views I'm expressing are my own, and the positions are not necessarily the positions of the commission itself.

The Chinese government, the CCP, is really using the belt and road initiative both to create markets for its own products and to increase its influence. They talk about how what they desire, of course, is a community of common human destiny.

Last year, the commission did one hearing on China in Africa, and you could see the impact of Chinese investment in Africa in a lot of different ways. This year, we're going to be doing one next month on China in Latin America.

A tool that they use within BRI is of course the lending that they do. By the way, Montenegro, which got, I think, $1 billion for highway building from China, has just actually told the EU that they need help repaying it. One concern about all the lending they're doing is debt-trap diplomacy, of course. They're using vaccines now, vaccine diplomacy, to try to increase their influence.

The AIIB, I think, was a real effort to try to create a new international institution that would be Chinese-designed and basically Chinese-controlled. They're struggling within the multilateral institutions. They're working hard to influence what's happening in the multilateral institutions, but it was their way to basically start one from scratch.

We should all acknowledge that there are huge infrastructure investment needs in countries around the world. That, I think, is one challenge that all of our countries working together need to address, but some of it is insidious.

Hon. Michael Chong: Thank you.

Ms. Carolyn Bartholomew: Am I done with my time?

Hon. Michael Chong: No, not at all.

Chairman, you recently talked about a system that Beijing uses, called the integrated joint operations platform, which has the ability to audit entire populations.

I have two quick questions on this. First, can you tell us what role Huawei plays in helping to develop this surveillance technology? Second, can you tell us what your view of Huawei is, with respect to national security?

Ms. Carolyn Bartholomew: That's an interesting question. It touches right on the heart of what I think is China's promotion of what we call techno-authoritarianism. If you look at smart cities, I understand the desire for local governments to increase their efficiency, but they're allowing the Chinese government access, directly or indirectly, to things like controlling traffic and water supplies, which could all be used against them.

I think it was just yesterday that a report came out that the Dutch have found that Huawei was in their telecommunications network in a way that allowed them to even eavesdrop on the Prime Minister and the Prime Minister's [*Technical difficulty—Editor*].

I have been quite suspicious of Huawei all along. I think this concept that they are free and independent of the Chinese government is ridiculous. You look even at companies that are supposed to be free and independent of the Chinese government, like Alibaba, and you see what's happening there.

I have concerns. On the commission, I think we all have concerns about how Chinese telecommunications can be used to access data, access information, collect intelligence and shut things down if they want to do that.

● (1845)

Hon. Michael Chong: Thank you.

I read in your report that you noted and highlighted the negative influence that China has had on the World Health Organization. Do you think the WHO is in need of reform to curtail China's negative influence on the organization?

Ms. Carolyn Bartholomew: That's an interesting question. There are concerns about balance, really. I thought you were going to ask that about the WTO, not the WHO.

This is speaking personally. I think there has been some naïveté or political pressure on the people at the top of the World Health Organization as they were going through and trying to do this analysis and investigation of where the coronavirus pandemic started. I think we're all going to have to look at how to make sure that the people who work for these institutions are protected from any political pressure that might skew what they're saying.

I will also point out—and this is a much bigger topic—that paying attention to where the Chinese government has its representatives participating in multilateral institutions is a really important thing to do. We don't always pay enough attention to that. We actually keep a list on our website of the roles that Chinese government representatives are playing.

Yes, I would say the WHO needs some reform. Some of it is actually protecting the staff to make sure they can do their jobs.

Hon. Michael Chong: You recently indicated publicly that in the upcoming year you will be looking closely at U.S. investment in China to make sure that investors in the United States are not pursuing investments that are in direct opposition to U.S. national and economic security.

Do you think the Canadian government should be doing the same?

Ms. Carolyn Bartholomew: I hesitate to tell your government what it should be doing. I am very aware of the sensitivity of our being the neighbours to the south.

Oh, my time is gone.

The answer is yes.

The Chair: It isn't your time, Ms. Bartholomew. It's Mr. Chong's time that's done, but he understands that, I'm sure.

Thank you very much, Mr. Chong.

We'll now go to Mr. Fragiskatos for six minutes.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair.

Thank you, Ms. Bartholomew, for taking the time tonight.

In listening to your presentation and in reading your analysis of the whole issue of China-U.S. relations, and China's relations with global democracies more generally, I have to ask a very straightforward question here. Is there any hope for any relationship between China and democracies like Canada, the U.S. and other democracies that is—I won't use the word “peaceful” here—not strained? Are we really seeing the emergence of a second cold war?

Ms. Carolyn Bartholomew: The response to that.... I'm trying to think of the phrasing that President Biden—I was going to say President Obama—has said. There are areas where we are going to compete; there are areas that are going to be confrontational; and we have to figure out areas where we could work together, also.

It's not always easy to define those. I think the Chinese government is excellent at trying to pit one country against another, one industry against another, and one issue against another. Some of us here are watching with a little bit of concern the discussions that are going on about climate change, to make sure that the criticism of what's happening in Xinjiang is not put aside in order to get a climate deal.

The reality is that we have to figure out ways to work together where we can, to disagree where we can't and try to make sure that it doesn't become openly confrontational, which is, of course, the concern about the South China Sea, Taiwan and all of those issues. The reality is that they're here to stay, so are we and so are you, so we have to figure this out.

Mr. Peter Fragiskatos: On that, since you mention it, you talk about possible areas where a relationship can take shape. Well, it's not you; you've talked about the Biden administration and the President in particular talking about climate change. Is this something that democracies like Canada, for example, can look to still work on with China? Climate change is really a global issue and certainly the challenge of our time.

● (1850)

Ms. Carolyn Bartholomew: Again, I think it's an issue where we have to figure out ways to work together. The Chinese are able to produce things like solar cells at a much lower cost. It has driven the solar cell industry out of countries like the United States, of course, but there are some technologies they can produce that we all need access to.

There has been some interesting analysis here in the United States. Some people are saying, "You know, we keep saying that we need to co-operate with them, but basically the Chinese government knows what it needs to do to address climate change, and we know what we need to do to address climate change." Working together, of course, would be far more effective and more efficient, but we can't put aside our own responsibilities in addressing it in the hope that somehow we'll all be able to work together on it.

Mr. Peter Fragiskatos: That's understood. Thank you very much.

Do you believe that the Five Eyes allies are aligned in understanding China to be a top security threat and designating it as such?

Ms. Carolyn Bartholomew: Again, that's an interesting question. I think the Five Eyes is an important institution. Again, here I am, a Democrat, and I think that with President Biden elected it gives us an opportunity to strengthen all of our alliances, which unfortunately went fallow or sour over the past four years.

I recognize that there are different interests that different countries have, including within the Five Eyes, about protecting their economic relationships with China. Again, I think we have to figure out how we can work together in acknowledging that. The economic coercion that China is doing to Australia I think should be a wake-up call for everybody.

Mr. Peter Fragiskatos: That's understood.

I'm told by the chair that I have less than two minutes.

With a final question, how has the U.S. responded to what is taking place in Xinjiang in terms of trade? As you know, and as this committee has heard, on products that would find their beginning in Xinjiang—things like cotton and tomatoes, for example—it's understood by top human rights experts and top experts on trade that forced labour is almost certainly involved in the processing of those products from the beginning and possibly all the way to the finish.

How is the U.S. responding to ensure that products made with forced labour are not entering the U.S.?

Ms. Carolyn Bartholomew: Well, the U.S. has certainly put some sanctions out and is banning some products from coming in. There was just a recent story that there has been some shortage of ketchup here in the United States. Some people wonder whether it has to do with the packages or whether it has to do with restrictions on importing tomatoes from Xinjiang.

I at least will say that we all have to take action on these things. What is happening in Xinjiang is a genocide. It's a blot on the conscience of the world. I think that, working together, we need to figure out ways so that the products don't just move from one country to another. There are different export markets, so we need to work together on all of those things.

Mr. Peter Fragiskatos: Canada has moved in that direction, thankfully. Of course, there's more we can look at, I think.

Thank you.

Ms. Carolyn Bartholomew: There's always more.

Thank you.

The Chair: Thank you very much, Mr. Fragiskatos.

[*Translation*]

Mr. Bergeron, you have six minutes.

Mr. Stéphane Bergeron (Montarville, BQ): Thank you, Mr. Chair.

Thank you, Mrs. Bartholomew, for being with us. Your comments are most helpful and relevant to this committee's study. You mentioned President Biden's words about working with China on some issues and confront China on others.

The more we hear from witnesses, the more it sounds like China is using every opportunity it gets to position itself for what's next, especially on trade. Your testimony seems to go directly in that direction. It's well known that Chinese companies have to comply with the Chinese state's security obligations and that some of them, including Huawei, share information with Chinese authorities that they have gathered in the countries where they do business.

How can we think about working with the People's Republic of China and its companies, knowing that they are looking for every opportunity to use this collaboration for long-term political purposes?

What precautions should we take to avoid getting into a situation where, by trying to co-operate, we would ultimately just be giving them more tools to act against us?

● (1855)

[*English*]

Ms. Carolyn Bartholomew: That's a good and complicated question. If I had the answer, we would all be in much better shape, but I'll try.

The reality is that we have to figure out ways to engage with China. The question is about the terms of the engagement that is taking place. China is so embedded in the global economy now. I just don't see that we could cut off relations completely, partly because there would be concern in other countries. I'm watching, with concern, what is happening with Germany and France right now. They're putting all their eggs in the economics and trade basket.

There are a number of places where we could work on these issues. There are the national security concerns, of course, about what Chinese companies are doing, but there's also the whole system of subsidies and protective tariffs that the Chinese government is imposing.

In addition to reforming the WHO, we also need to reform the World Trade Organization, because we have to get to the heart of what is creating this unfair competition. I used to serve on the board of an American manufacturing company, which actually has a plant in London, Ontario. I know that American and Canadian workers can be the best in the world, but they are working in an unfair field. We need to make sure that we address all of these subsidies.

There's growing awareness and concern around the world about China's rise, and the way it's rising. China is being, in some ways, its own worst enemy with this stomping around, insulting people, and what people are calling “wolf warrior diplomacy”.

There's opportunity, but we live in a world where we're not going to be able to cut them off completely. China has 1.4 billion people. The reality is that we're going to have to figure out a way to work together with them in places where we can, and continue to push in the places where we can't.

[*Translation*]

Mr. Stéphane Bergeron: You are absolutely right. It's quite a challenge, because you can't suddenly stop economic relations with such a giant. It's a question of whether you can collaborate without losing out geostrategically.

In your report and opening remarks, you talked about the influence that the People's Republic of China seeks to have in international organizations. We've seen this at the World Trade Organization and the World Health Organization. An article on Politico.com in April 2020 revealed that the secretary general of the International Telecommunications Union and former Chinese communications ministry official tried to use his influence to promote Huawei in the 5G market.

Should we also be wary of the influence of all the officials from China who are allegedly working for the Chinese government in all the decisions made by these various international bodies?

[*English*]

Ms. Carolyn Bartholomew: I think we need to be aware. We need to be far more attentive than we have been.

I just wanted to mention something on the geostrategic issue that you raised. I've been working on U.S.-China issues since June 4, 1989, the Tiananmen Square massacre, and a number of us raised concerns through the 1990s and early 2000s that China was building its military strength on the back, basically, of the U.S. economy. It was benefiting so much from the strategy it had. It was using the currency in order to build its military.

We're being shut down.

I'll just say that it's an honour for me to talk to all of you. If there's an opportunity to address the questions further, outside of this context, I would be happy to do so.

● (1900)

The Clerk of the Committee (Ms. Marie-France Lafleur): Mr. Chair, you are on mute.

Hon. Michael Chong: Chair, you're on mute.

The Chair: I think I had it unmuted and just muted it by mistake. Thank you so much for that, folks.

I was just saying, Ms. Bartholomew, thank you for your understanding. We do have agreed rules about how much time each party has, so those are what I'm following.

Now I'll turn to Mr. Harris for six minutes.

Mr. Jack Harris (St. John's East, NDP): Let me get my timer on, Chair. My machine has just gone blank on me. I have to let it see me to turn it on.

Thank you, Ms. Bartholomew, for joining us. It's been most interesting testimony so far.

In 2012, Canada entered into a foreign investment promotion and protection agreement with China; we call it FIPA. It's been criticized as being, in key respects, non-reciprocal in favour of China. For example, there's a general right of market access by Chinese investors in Canada, but not the other way around in China, and it allows wider scope for investment screening by China than Canada. Also, it omits a long-standing Canadian reservation for performance requirements that favour indigenous peoples, and it dilutes Canada's established position on transparency in investor-state arbitration.

Your commission recently did a study, in 2020, last year, on this whole issue in the United States. Could you tell us, first of all, what you think of this kind of one-sided agreement, part of it based on historical realities in Canada-China trade prior to then? What's your view on that? What recommendations have you made and how successful have they been in getting policy changes?

Ms. Carolyn Bartholomew: We've made a number of recommendations. Congress takes some and doesn't take others. I think we're going to see a whole lot more moving. There are some really large packages of legislation on U.S.-China relations that are about to move through the U.S. Senate. We'll see if that stays bipartisan.

I think the issues and questions you raise about the one-sidedness of market access are certainly something that the EU and China.... I'm going to throw it to the EU again. When I heard they were making this bilateral investment agreement, I actually thought, why on earth do they think the Chinese government will comply with this agreement any more than it has complied with other agreements? There is a lot of concern about that. There's a lot of opposition to creating new trade agreements with a country that's not abiding by the agreements it's already made.

I'm not sure if some of what you were asking about was about our CFIUS process and the reforms to the CFIUS process about Chinese investment in the U.S. Was that one of the questions you were asking?

Mr. Jack Harris: I guess that's part of it.

The Chair: Sorry, but before you do that, I'm just pausing the time.

I've been asked by the clerk, Ms. Bartholomew, to indicate, as it says here, that your microphone is not selected as the microphone for the computer right now. I'm wondering if you can either unplug and replug it, or else select it in your settings. If you see where the mute and the microphone is, the little upward arrow beside that, if you click on that arrow you can ensure that you've selected the right microphone.

Ms. Carolyn Bartholomew: Let me try that one.

Is that better?

The Chair: Madam Clerk, is that better?

We have a thumbs-up.

Ms. Carolyn Bartholomew: Okay, great.

The Chair: All right, Mr. Harris, we'll go back to you, sir.

Mr. Jack Harris: Thank you very much.

I'm not familiar with that particular aspect of it, so I'll move to another question, if you don't mind.

One thing our committee has talked about quite a bit over the past year, because we've been operating since then, was on concerns about China's not wanting to follow the rules-based international order. How do we get it to do that? That's with a lot of things, not just the arbitrary detention of individuals like Mr. Spavor and Mr. Kovrig, which is part of it, but in general terms not following the rules, whether on trade and investment or the other things we were just talking about.

I'd like your advice on this. What I hear you say is that they're trying to create new norms, whether that be human rights being watered down, different ways of engaging with other nations and that sort of thing. Is this something we can actually influence in some way with the help and coordination of other nations, or are we in a gridlock on that as well?

Ms. Carolyn Bartholomew: I think we have to try. To give up would be to cede the field completely to the Chinese government and their authoritarianism—the ideology they are trying to spread.

I'll note a couple of places of concern. One, of course, is the national security law they passed that has destroyed Hong Kong as one country, two systems. It includes a provision that they believe allows them to basically reach into any country at any time if any of us has violated what they think is their law. As I just saw yesterday, there is a new push whereby they intend to promote Chinese rule of law around the world and make all of us comply with Chinese laws.

I think we need to engage in the judiciary, in the legal system, to make sure that people are clear and engaged in it. Again, we need to figure out which countries are going to be the most concerned about that and figure out ways to have our own united front, frankly. I'll use that phrase.

It is, I believe, a clash of ideologies that is happening, and I don't think we can give up. I'm not always sure how to handle it, but if we give up we have lost completely.

● (1905)

Mr. Jack Harris: Another issue that your group has written about is China's attempts to influence academic institutions in the United States, like think tanks, through financial dominance and whatnot. We have similar concerns in Canada.

First of all, how effective have their efforts been to influence these institutions through financial endowments and other methods? How dependent have some of these places become on the receipt of support from Chinese interests when it comes to being able to operate?

Ms. Carolyn Bartholomew: They have become, I think, way too dependent. When we talk about that, how do we make sure that the Chinese students who are coming to U.S. institutions are coming here to learn and are not necessarily coming here to take back, especially on high-technology things, what they are learning? I think that for some of it, we all have an obligation to make sure that we fund these institutions of higher education sufficiently, because one of the things that are happening is that if schools lose the tuition from Chinese students, a lot of them are going to be in real trouble.

That said, I think there needs to be transparency about which scientists—for example, researchers—are taking money from what Chinese company or from the Chinese government. I have always said they should not be mixing that with U.S. taxpayer dollars. U.S. taxpayers need to know—

Okay, I'm getting the time signal.

The Chair: Look, Ms. Bartholomew, I'll cut you off, but if you want to finish a sentence, usually that's okay, just so you understand what's going on.

Ms. Carolyn Bartholomew: It's a serious concern. I think that transparency is one of the answers, as is, again, making sure that our institutions have the resources they need.

Mr. Jack Harris: Thank you.

The Chair: Thank you, Mr. Harris.

We'll now go to the second round.

Mr. Genuis, you have five minutes.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you, Chairman Bartholomew. It's a pleasure to have you here.

Your government, across two administrations, has recognized the Uighur genocide. Our Parliament has also recognized the Uighur genocide, although our government has yet to. There's been, I know, much debate in the U.S. about strengthening supply chain measures.

In Canada, our system for preventing supply chain slavery—the use of forced labour in our supply chains—is essentially complaints-based. Our Border Services Agency adjudicates complaints when it receives them, but the mechanisms by which any investigation would be undertaken are still being worked out. It would be virtually impossible to conduct a meaningful investigation inside of China, and the new measures haven't led to any shipments being stopped.

By contrast, in the United States you have the Uyghur forced labor prevention act proposed by Representative McGovern, which was supported by a vote of 406 to 3 in the lower house and is now in the Senate. This bill would, as I'm sure you know, create a presumption that forced labour is involved in products coming out of Xinjiang, unless it can be proved otherwise.

What is your view on the Uyghur forced labor prevention act? Could you share a bit about why it has such strong bipartisan support and reflect on whether other countries should consider a similar model, recognizing the realities of a complaints-based system and the impossibility of it working effectively?

Ms. Carolyn Bartholomew: I think that it's an important and serious attempt to try to get to the very issue you are mentioning. There is so much stuff coming over. We did a hearing a number of years ago on Chinese seafood, and we learned the realities of how much product comes in through our ports and how few people we have tracking it. All of those issues are part of the solution too.

I absolutely support the Uyghur forced labor prevention act. The fact that it had such a huge margin of support in the vote demonstrates the serious concern that people have about what is going on with the Uighurs. It would be useful for all of us to figure out a way to do it.

That said, I have to be realistic about the implementation of something. Again, with the seafood, we learned that when things were turned away from one port, the cargo simply went to another port. We need to make sure of all that. Of course, there's nothing stopping companies from changing their labelling, so I think some of it has to be about recognizing what products are being produced and really focusing on those products.

● (1910)

Mr. Garnett Genuis: The points you make just underline how easy it would be to circumvent any kind of complaints-based system. Whether it's the framework that Representative McGovern put forward or something else, we need to do so much better here.

Jumping to another topic, there are those who say that the Asian Infrastructure Investment Bank is completely different from the belt and road initiative. There are others who see the AIIB as part of the strategic agenda that is the belt and road initiative.

What is your view on that?

Ms. Carolyn Bartholomew: The Chinese government will use all of the tools that it has at its disposal to accomplish what it wants to accomplish. In terms of the AIIB, it's incumbent on the other parties participating in the AIIB to make sure that contracts that are going out are not all being taken by Chinese contractors and to ensure that the projects uphold human rights and environmental standards. The onus in some ways is on the participants in the AIIB to make sure that it is not just being used to carry out China's plans.

Regarding the belt and road initiative, there's also some very interesting analysis. Some people think it just isn't going to become everything that China says it going to become, because it doesn't have the money to do it and it has push-back in its own population.

Mr. Garnett Genuis: I have a quick follow-up question.

You spoke about having our own united front. It's interesting to me that on the one hand, China is creating its own institutions of influence, and on the other hand, there are countries, especially Canada, putting dollars into, in some cases, Chinese government-led vehicles like the AIIB, and in other cases it is through UN-led development vehicles over which China is exerting more or more influence.

You talked about creating our own united front. Is that a call to have a stronger infrastructure of democratic nations that are doing more things on our own and reflect our values?

Ms. Carolyn Bartholomew: You're talking about the summit of democracies. We have got to again figure out ways to work together with countries that are not necessarily good with human rights. I think of Vietnam for example, and with countries—

The Chair: Thank you, Ms. Bartholomew. I'm sorry to interrupt.

Thank you very much, Mr. Genuis.

[*Translation*]

Mr. Lightbound, you have five minutes.

Mr. Joël Lightbound (Louis-Hébert, Lib.): Good evening, everyone.

I'd like to thank the witnesses for being with us this evening. Their comments are very enlightening to all committee members.

Mrs. Bartholomew, you mentioned the $1 billion loan to Montenegro, if I'm not mistaken. You also mentioned China's economic coercion of Australia. What is China's most common modus operandi when it exerts its economic and monetary influence not only on western democracies, but on the entire planet?

What principles and practices should our democracies preserve to guide themselves and guard against this kind of economic coercion?

Finally, I'm going to pick up a bit on what Mr. Genuis was asking. Should a concerted international approach be a priority? As western democracies, should we work better together to guard against this influence?

[*English*]

Ms. Carolyn Bartholomew: I will start with the last one first.

Absolutely, we need to work together with concerted efforts, and be attuned to the fact that the Chinese government is really good at divide and conquer. I'm not sure that Montenegro was actually $1 billion. I'm going to have to check the facts on that one. I don't want to get that number wrong.

The tools of coercion that the Chinese are using are in some ways the business interests in all our countries. Before the pandemic, I participated in a conference in Australia where the defence and intelligence establishments were really trying to work at how to raise concerns and deal with the economic interests that they have, the economic interests in the United States and Canada and all of that. The important thing for politicians is to recognize that although they represent some of those interests, they also have a national obligation to national security.

It's a difficult message to deliver, but when I think of Chinese economic coercion, the first example that I think of—and it might not be the first—was when the Chinese cut off its imports of Norwegian salmon because of the Nobel Prize going to Liu Xiaobo. In some ways, it's like a test case. That's what I think the Chinese do a lot. Now the Chinese are doing this with Australia. It's a test case, with Taiwan and pineapples. It's a test case to see how the world will respond. We respond by increasing our consumption of Taiwanese pineapples, Australian wines, and all of that.

Some of it is really educating the business community that continues to believe that things are going to go well for them inside China, and they aren't necessarily going to go well. If it's resources, that's a different story. You're going to have to make the case that there are national security interests and that selling these products has a cost, right? They have a cost beyond any financial cost that's taking place.

● (1915)

[*Translation*]

Mr. Joël Lightbound: The commission you chair mentioned that greater scrutiny of U.S. investments in Chinese companies was needed to avoid funding the militarization of China, for example.

Can you elaborate on that and tell us what kind of impact western investment in China might have?

[*English*]

Ms. Carolyn Bartholomew: I think some of it is educating, again. On this issue of U.S. investment in China, some of it is the major investment banks. They're going to figure out a way to make money, no matter what. When you look at things, you see that we haven't mentioned the military-civil fusion that China is doing, using civilian companies and technologies to acquire developed technology, technology that they need for their military purposes. It's sticky. It's very difficult for some people, for some companies, to be able to figure out exactly who it is they're investing in.

That said, I think some of them don't care. Ray Dalio had this piece in the Financial Times relatively recently, and I was just frankly appalled at what he said, which was basically that money is money and we don't know who is going to win this competition, and so he's investing in China as much as he can. I just think that's appalling. We have to come up with ways to hold companies accountable when they are investing in something that is actually going to be a threat to us, not economically, in that sense, but militarily.

We're also very concerned about pension funds. People who have those pensions don't know where their money is being invested and they don't know how risky some of those investments are. It's twofold. It's risk, as in financial risk, and it's also risk as in what we are investing in and what we are getting out of it and what kind of a threat it is for us.

There are always going to be people, again, who—

The Chair: Thank you.

[*Translation*]

Thank you very much, Mr. Lightbound.

Mr. Bergeron, you have two and a half minutes.

Mr. Stéphane Bergeron: Thank you.

You mentioned the Confucius institutes in particular. It's hard to imagine a better developed system for trying to influence political and social life in the countries where they are established.

What difference do you see between the Confucius Institute and equivalents like the Alliance Française, which was set up by the French, or the Goethe-Institut, which is German?

Are there any elements of comparison, or are we simply in a different universe?

[*English*]

Ms. Carolyn Bartholomew: Again, that's another excellent question. I think that the Confucius Institutes play a role that the Goethe-Institut or the Alliance française do not. I think they are serving as a tool on campuses, both to control the Chinese students who are there and to spread the Chinese world view. I guess maybe some of it is that I'm just also concerned that I don't agree with the ideology of what the Chinese are doing. They also serve as platforms for espionage. Confucius Institutes are just being used for all things.

I want to mention one thing that hasn't come up: the education programs, which are starting even as young as grammar school and are being funded by Chinese entities. Children who are learning Chinese, which I think is a really important thing for them to be learning, are also learning the Chinese ideology that goes right along with it. It's not just the Confucius Institutes; it goes further down and it requires a government response in terms of funding to make sure that kids are getting what they need. To me, the Confucius Institutes are just fundamentally different from what western democracies are doing with their centres.

● (1920)

[*Translation*]

Mr. Stéphane Bergeron: Thank you very much.

Since I don't have much time left, I don't want to insult our witness by asking a question that she won't have time to answer.

The Chair: Thank you very much, Mr. Bergeron.

[*English*]

We'll turn now to Mr. Harris for two and a half minutes, please.

Mr. Jack Harris: Thank you, Chair.

Ms. Bartholomew, your interchange with Mr. Genuis interested me in that you seem to have a slightly different view from Mr. Genuis, who seems to think that we—i.e., the democracies—must get together and stave off China and its friends. You suggested a little bit more of a nuanced response to that in terms of not disengaging totally with China, obviously, but also in making sure that we're engaged with other players to convince them, or to work with them, to develop better norms. Could you elaborate on that a little bit, please?

Ms. Carolyn Bartholomew: I don't want to leave the impression that I don't agree that democracies need to get together. I think they do, because, again, I think our own united front.... You know, our values stand for something and they stand for something around the world, and I think that we diminish the importance of those values.

That said, I think we have to recognize that there are times when we are need to work with countries that might not align with us completely on things like human rights. Would I invite the Government of Vietnam to join an alliance of democracies? No. However, would I believe that there are ways that we need to work with the Government of Vietnam to address concerns about what's happening in the region? My answer would be yes. I think in that sense, the fluidity is that we just have to acknowledge that there's not going to be a 100% purity test with the countries that we need to engage with around the world.

That said, there is a core group of western liberal democracies that I think really need to work together on all of these issues.

Mr. Jack Harris: Then you're not suggesting some sort of cultural cold war.

Ms. Carolyn Bartholomew: No, I'm not suggesting a cultural cold war. I think what I'm trying to do is to be realistic about the fact that even within western liberal democracies there are going to be some differing interests in the relationship with China. We have to figure out a way to accommodate those. “Accommodate” isn't the right word; we have to figure out a way to recognize that those interests are going to be there and not let those interests get in the way of the places that we can all work together.

Mr. Jack Harris: Thank you.

I think that's probably close to time, Mr. Chair.

The Chair: You have about 15 seconds.

Mr. Jack Harris: I'll pass that on to the next intervenor.

The Chair: That's very kind. Thank you very much, Mr. Harris.

Now we'll go to Mr. Williamson for five minutes.

Mr. John Williamson (New Brunswick Southwest, CPC): Thank you very much, Chairman.

Chairwoman Bartholomew, it's nice that you could join us. This has been very, very interesting.

You had an interesting exchange with MP Lightbound a few minutes ago about the review of investments into mainland China and the impact on your security, as well as the risk. What about the other way around in terms of any kind of investigation on investments into the U.S. stock exchange, the bond market and equity markets?

I read an interesting paper recently that looked at how one of the challenges the Soviet Union had during the Cold War was in having very little access to western capital, whereas in today's world, China has great access to capital—to American capital in particular, but also to western in general. It is helping them immensely. We don't even know how these investments are being made and how they're helping China often use our own technologies against us or, if not against us, against minorities in mainland China.

Ms. Carolyn Bartholomew: You know, of course, that when you take on the moneyed interests, you're taking on big giants who don't want anybody to get in the way of what they are doing—again, sort of the Ray Dalio view of the world.

I'm just trying to think of the number of years that we at the commission have been talking about and raising concerns about Chinese companies on the U.S. stock exchanges, on things like the accounting standards. We can't get access to the work product, to papers, to the account of audits in Chinese companies, to the risks that take place. There are all sorts of mechanisms that are happening for the flow of money.

I think the CFIUS reform we did under FIRRMA was an effort to try to address some of these concerns about the acquisition by Chinese companies of American assets, including even real estate. If they're buying land for a “warehouse” near a sensitive military installation, somebody needs to be making sure that we're paying attention to that.

The concerns about the stock market have been there. I think Congress is really aware of that and is paying a whole lot more attention to it and to the concerns about what Chinese companies, through a number of mechanisms, are buying in the United States. I'm even going to put money laundering on the table. There was a story that just came out about a delicatessen owned by a coach in New Jersey that made $100 million. There was a very complicated shell corporation system that tied in to Macau. There's a money-laundering aspect to all of this too.

● (1925)

Mr. John Williamson: There's more work to be done on that in both countries, then.

Ms. Carolyn Bartholomew: Yes.

Mr. John Williamson: I think you had more to say about WTO reform. When you were talking with my colleague MP Chong right off the top, you thought it would be a WTO question.

Why is that an issue? Is it your belief that China has not fulfilled its obligations from 20 years ago, effectively getting away with it, and now countries are rewarding them with more trade deals that they won't live up to? Why is that important? Why did that strike you as something to talk about?

I have about two minutes, and I'll give most of it to you.

Ms. Carolyn Bartholomew: Again, when China got accession to the WTO, some of us had a number of concerns about whether the WTO was going to change China's practices or China was going to change the WTO.

The WTO is just, I think.... I do not advocate that we get rid of it, but I think there need to be some reforms to deal with things like government subsidies and state-owned enterprises. It's just not sufficiently prepared or mandated to deal with the kinds of economic steps that the Chinese government is consistently taking.

Mr. John Williamson: Yes.

I think I have about a minute. Is there a growing volume of lawmakers on Capitol Hill to remove China from the WTO or to disband the WTO? I'm curious to get a sense of what you're hearing on that aspect.

Ms. Carolyn Bartholomew: There are always some people. Interestingly, this commission was considered outliers and quite hawkish when we were started, and we're not considered that anymore, because the whole issue has changed.

Mr. John Williamson: Yes.

I have 30 seconds.

Ms. Carolyn Bartholomew: I just want to say that we—

Mr. John Williamson: Good. You go first.

At the same time, you said Alibaba.... What's happening to it? It's a company that's a little bit free. You mentioned it in one of your comments. We all know what's happening to Alibaba. Could you, for the sake of this testimony, explain what's happening to Alibaba?

Ms. Carolyn Bartholomew: Yes. First, the Chinese government has pulled back an IPO, of course, and they now most recently look like they are trying to push out Jack Ma completely from what he is doing. The reason this is important is that Alibaba and Ant have always been held up as private companies, right? I mean, they are private companies functioning independently and they aren't.

Mr. John Williamson: Thank you.

The Chair: Thank you, Mr. Williamson.

[*Translation*]

Mr. Dubourg, you have five minutes.

Mr. Emmanuel Dubourg (Bourassa, Lib.): Thank you, Mr. Chair.

Mrs. Bartholomew, thank you for joining us today. You can see how fast time passes and how quickly we ask you to move from one subject to another. What you are saying is very interesting.

Let me turn to a different topic. In your profile, I saw that you were a member of one of the first delegations to Africa in connection with HIV/AIDS in children. We are currently grappling with the COVID-19 pandemic. Canada has invested $230 million to help developing countries. The United States has invested over $2.5 billion. However, you mentioned that China is trying to gain a foothold in those countries with its vaccines.

Do you think our investments to help developing countries fight COVID-19 will be sufficient under these circumstances?

● (1930)

[*English*]

Ms. Carolyn Bartholomew: Given the vast need, I think the amount that Canada has contributed and that the U.S. has contributed is just a starting point. From something I read the other day, I'm not sure that any vaccines have even made it to Haiti. We have an obligation to the world for moral reasons, but we have a practical obligation to the world in all of this, which is that we are not going to be safe to fly around the world and go to places we like to go when other people in other countries are not safe to do that.

I also think there are questions about the efficiency and the efficacy of the Chinese vaccines. I think Chile has vaccinated a comparatively fairly large portion of its population, but the rates of its infection continue to go up. I don't know and I'm not an epidemiologist, so I can't say if it's just some variants that are happening, but when China contributed PPE at the beginning, in the early months, it turned out first that they didn't donate a lot of it and some of it was expected to be paid for, and then some of it was inadequate and insufficient.

Again, I think that here is an opportunity for us to go out there, represent our values and work with these other countries to make sure they have the vaccines they need.

[*Translation*]

Mr. Emmanuel Dubourg: Thank you very much for your interest in Haiti, my home country, which seems to be somewhat spared, unless it has not conducted many tests. The people have other problems at the moment, which are more political in nature.

In your speech, you said you were concerned about the fact that the two Michaels are still in jail. We have taken many steps. You said that, given the people over there, we need to find ways to work together. A number of measures have been put in place, but they haven't worked to date.

Do we need to put more pressure on China or do we need to work together for a positive resolution for those arbitrarily imprisoned?

[*English*]

Ms. Carolyn Bartholomew: That's a difficult dynamic, I think, that your diplomats are having to deal with. I'm aware of the reports about the Halifax International Security Forum and what was happening there with the award for Taiwan. I don't think we can put aside our concerns about rule of law and fundamental human rights. I think that we have to figure out a way to expand those rather than to contract them, and I think the recognition of China's willingness to arbitrarily detain people is something that anybody who thinks about travelling to China needs to be aware of. I personally don't know that I can ever travel to China and Hong Kong safely again. I don't think I could go to Hong Kong unless there was some change at the top.

American business people need to be worried about this. Canadian business people need to be worried about this. Yes, we need to be focusing on it.

Mr. Emmanuel Dubourg: Thank you so much.

[*Translation*]

The Chair: Thank you very much, Mr. Dubourg.

[*English*]

Ms. Bartholomew, thank you so much for being with us. I know all members enjoyed your testimony and your answers. I just want to thank you for your testimony. It's much appreciated and it was very kind of you to join us. We'll let you go, as we have other witnesses to go on with, but it's been great having you with us. You're welcome to stay, but we're going to go on to the other guests in a moment.

Ms. Carolyn Bartholomew: That's okay.

One more thing is that I would first express my appreciation to all of you for being interested in what we're doing. I presume that you know that there are interparliamentary working groups in Europe, for example. We're not the only places that are trying to figure out how to deal with these issues. I recommend them to you if you are not engaged with them.

The Chair: Thank you so much.

Ms. Carolyn Bartholomew: Thanks very much. I am going to drop off.

Thank you.

● (1935)

The Chair: Thank you.

We'll now suspend for two minutes to do the sound check for the next pair of witnesses.

● (1935)

_____(Pause)_____

● (1935)

The Chair: I will now call this meeting back to order.

For our second panel, I would now like to welcome Mr. Michel Juneau-Katsuya, appearing as as an individual. He is an expert in national security and intelligence.

[*Translation*]

Thank you for joining us this evening.

Mr. Michel Juneau-Katsuya (Expert in National Security and Intelligence, As an Individual): It is an honour and a pleasure to be here.

[*English*]

The Chair: I would also like to welcome Professor Anne-Marie Brady from the University of Canterbury in New Zealand.

Ms. Brady, thank you for making the time for us during your holidays, and congratulations on your 25-year wedding anniversary.

[*Translation*]

Mr. Juneau-Katsuya, you have five minutes for your presentation.

Mr. Michel Juneau-Katsuya: Thank you very much, Mr. Chair.

My thanks also go to all the members of the committee.

[*English*]

Thank you very much. I will try to present in both official languages, which is very much the Canadian way, I suspect. My apologies also to the team of translators. Unfortunately I had difficulties with my technology today, and I was unable to deliver my text ahead of time.

Tonight I would like to speak about national security issues. My concern comes from three decades of observation as a member of the Canadian Security Intelligence Service, being able to monitor, study, and even teach about the activities of the Chinese intelligence services in Canada.

● (1940)

[*Translation*]

The imbalance in the relationship between Canada and China is a serious concern. We are not on a level playing field. Neither side is playing by the same rules—at least, not the rules that Canada would like. Those rules are probably the norm on the international stage. Unfortunately, as several of the witnesses who appeared before this committee mentioned, China often chooses to ignore the way things are done.

[*English*]

What I've been able to observe as the chief of Asia-Pacific for CSIS is the great disbalance that exists on various fronts in the activities that have been conducted by the Chinese intelligence services in Canada.

To understand how they operate, we need to understand also that their methodology comes from a different set of operational standards that we don't have in the western world. In the western world, there's often the analogy that is used that if, for example, the Russian intelligence service wants to steal some information here, very often the analogy was used with grains of sand on the beach. The Russian intelligence service will go, in the cover of the night with a bucket and a shovel, try to fill up their bucket as much as possible and run away before the sun goes up.

The Chinese intelligence services and the Chinese government use what we call a mass collection process. In the mass collection process, basically they will be sending 1,000 people to sunbathe all day, and when they come back at the end of the day, they shake their towels in the same spot, and the amount of information they collect is absolutely phenomenal.

We talk about disbalance because there are many institutions and people who have been employed by the Chinese intelligence services, and among them, their greatest asset is what we call the agent of influence. The agent of influence in Canada has been capable of penetrating at various levels. Although the Canadian Security Intelligence Service does not share as much information publicly as it should and does not give briefings as much as they should to elected officials, we find these people all over the place, from the federal to the provincial to the municipal.

Mr. Dick Fadden, who was the director of CSIS many years ago, tried to warn the general public, and unfortunately he was severely reprimanded by the government at that time. At the end of the day, when we talk about the disbalance, we just need to look at, for example, the number of Chinese diplomats who are in place in Ottawa versus the number of American diplomats. America is our greatest business partner and we are in a trade deficit with China, yet they have almost double the number of diplomats in Canada. Why? It is because of the spy activities and the foreign interference that they do here.

Thank you very much.

[*Translation*]

The Chair: Thank you very much, Mr. Juneau-Katsuya.

[*English*]

Now we have Ms. Brady.

By the way, before I ask you to start, if you happen to know your colleague Therese Arseneau, please say hello for me.

We'll go over to you for five minutes, please.

Ms. Anne-Marie Brady (Professor, University of Canterbury, As an Individual): *Tena koutou katoa*.

Warm Pacific greetings from Tahuna, the traditional land of Ngai Tahu.

I'm going to give you a very short overview of the geopolitical context to China's political interference activities, which get called “united front work“. They can also be known as “grey zone” or “political warfare”.

I'm encouraging you to start calling them China's active measures, because when we talked about the Soviet Union's active measures, we understood that they included intelligence operations. They included united front work, which is a basic Soviet technique; it's not just unique to China. They included disinformation. They targeted the elite and they targeted diaspora dissident groups. Often when we talk about united front work, we can't really make sense of it, because we don't have an equivalent, but if we understand that what is going on is China's active measures, I think it will be very helpful.

Also, we're used to talking about the party-state system in China. I urge you to think about the party-state-military-market nexus to better understand those intertwined relationships, such as those with Huawei or in the ways that universities are doing the work of the PLA to access sensitive technology.

I'll go on to the backdrop. I have sent my PowerPoint presentation that I wanted to talk to. You are going to look at it later, and I understand it can't be seen because of your broadcasting.

● (1945)

The Chair: Ms. Brady, I'm sorry to interrupt you, and I'm just pausing the time for a moment. I've been asked to ask you to hold your microphone. Of course the challenge for us is that we have interpreters to interpret for those members who are francophones.

Thank you so much.

Ms. Anne-Marie Brady: I understand. I'm in a hotel room with very limited facilities. My apologies.

On the geopolitical backdrop, I've sent you some maps to look at. One of them is the new official map, the vertical world map. It's a China-centred world. It is a literal reorientation, the thinking behind China's very aggressive foreign policy, which Xi Jinping has inherited. He didn't invent it. The thinking behind it started in the 1980s and could even go back to 1949, but the change in direction came in the 1980s, and there will be some names you might be familiar with. Alfred Mahan talked about what a rising power needs to become influential. One is developing a blue-water navy and protecting sea lanes of communication, because China is obsessed about choke points.

Another is Halford Mackinder, the founding figure of modern geopolitics.

U.S. Secretaries of State Dean Acheson and John Foster Dulles are third influence. They talked about two concepts that are very important to what's happening now. One of them is the idea of the island chain—the first, second and third island chains—which form the basis of theories of hub-and-spoke defence pacts that link the United States with allies like New Zealand, Korea and Japan. The second concept is peaceful evolution. This is the idea that Communism would be undermined in the eastern bloc by greater contact with the outside world, with the western world, through culture, education and so on. The CCP has been very influenced by that thinking, and under Xi Jinping we're seeing not just a defensive response but a very aggressive response, because China believes the west is weak and divided.

These are the four vectors of CCP active measures, as I've preferred to use this term, that you can look for and find in Canada as elsewhere. One is efforts to control the overseas Chinese communities and their media in our society and use them as agents of Chinese foreign policy, and also sometimes for espionage. Number two is “elite catcher”, targeting our political and economic elites; three is a global information strategy to try to control the international narrative about topics China is interested in; four is the belt and road Initiative, which is a military-political-economic block.

You can see how political interference fits within China's much more aggressive foreign policy as a tool of that foreign policy. It's a means to achieve China's goals without military force; to weaken opposition to China's objectives; to establish client or asset relationships with the elite, and even to establish collaborators within our elite; to access sensitive information and technology—in other words, espionage; to control the diaspora discourse; and to control the international discourse on issues of interest to China.

If you wish, I can talk later about a resilient strategy, but that's enough for an overview.

[*Translation*]

Thank you very much for your attention.

The Chair: Thank you, Ms. Brady.

Mr. Paul-Hus, you now have the floor for six minutes.

Mr. Pierre Paul-Hus (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chair.

Good evening to the two witnesses.

Mr. Juneau-Katsuya, you have recently commented on the ties between the leadership of CanSino Biologics and the Chinese government with respect to the thousand talents plan.

I asked Dr. Halperin from Dalhousie University about this and he expressed no concerns about those ties.

I also asked Iain Stewart, president of the National Research Council of Canada. He responded that CanSino Biologics was a private company listed on the Hong Kong stock exchange and that he did not really see a problem.

In your opinion, are the senior officials of our agencies wilfully blind? Are they not rather misinformed by the national security agencies about the relationships with CanSino Biologics?

● (1950)

Mr. Michel Juneau-Katsuya: They are very poorly informed by the national security agencies.

Unfortunately, the Canadian Security Intelligence Service (CSIS) has had a policy for a number of years of providing as little information as possible to Canadian companies. This is our biggest failing. It is our greatest weakness, and it is self-imposed.

I agree with all of Ms. Brady's comments today. When it comes to espionage, prevention is the one and only way to defend ourselves. Once the fox is in the henhouse, it is too late.

The Security Intelligence Review Committee also made a bad decision at one point when it chastised CSIS for trying to make Canadian companies more aware. The committee is also misguided, in my view.

Mr. Pierre Paul-Hus: On that note, I'd like us to talk about Huawei and university funding.

We learned in the *Journal de Montréal* that Huawei donated $3.9 million to the computer science department of the University of Montreal and $5.4 million to McGill University. The former Canadian ambassador to China, Guy Saint-Jacques, has raised some concerns about this.

What do you think about this company funding our universities?

Mr. Michel Juneau-Katsuya: I think he is absolutely right to be concerned. In the mid-1990s, my unit published a report on project Sidewinder; we examined the influence exerted by Chinese companies, specifically through diplomatic channels. For instance, Elections Canada reporting revealed that the Chinese embassy had given money to all the political parties during the election campaign, in clear contravention of the Canada Elections Act.

The Chinese government's ploy is to gain influence, either by buying goodwill or by recruiting people to become agents of influence. Stalin had a name for people like that: useful idiots. China wants to acquire a lot more influence with politicians, as well as academic and business leaders, so it can influence our country's political and trade destiny.

Mr. Pierre Paul-Hus: You have said in the past that all Chinese foreign national associations in Canada were infiltrated by the Chinese secret service. Can you give us more details on that?

Does the RCMP have the capacity to deal with complaints made by Canadians who are being harassed by China?

Mr. Michel Juneau-Katsuya: The RCMP does not necessarily have the resources and expertise required when it comes to the various influence- and harassment-based activities China engages in. Bear in mind that suppressing dissent, especially controlling what is said outside the country, is of capital importance to the Chinese central government—hence the efforts by agents at the United Front Work Department to penetrate and infiltrate the organizations you mentioned.

Since we're talking about infiltration, you may be interested in a Global News report by journalist Sam Cooper. It's an excellent piece in which he reveals the extent to which the Chinese government used diplomatic channels and agents that had infiltrated diaspora associations, before the global pandemic was declared, to acquire 2.5 billion pieces of protective equipment around the world and send them back to China in preparation for the pandemic. That was well before we knew we would be confronted with a pandemic. That gives you a sense of the long reach China has successfully built over the years and its great capacity to mobilize its diaspora.

Mr. Pierre Paul-Hus: For the benefit of the committee, I would like to point out that the Prime Minister received 45 cheques, each in the amount of $1,500, from Chinese people in Vancouver. That is another way to exert influence.

My last question is for Ms. Brady.

Ms. Brady, you said that Canada should be concerned about China's nuclear submarine and icebreaker plans. You said that, if Chinese submarines equipped with nuclear weapons could move about the Arctic Ocean undetected, it would change the nuclear balance between China and the United States.

Talk, if you would, about China's presence on Canadian soil.

● (1955)

[*English*]

Ms. Anne-Marie Brady: That's a big question to answer, but I think the passion we've seen is similar to what I have documented in my paper, “Magic Weapons: China's political influence activities under Xi Jinping”, that was put up on the website of Wilson Center.

I used the template in that paper to look at a number of other countries, ranging from Albania to Iceland to Japan to many nations in the Pacific, and I have also been following the conversations about the influence in Canada.

I would say that we find the same passion, but each society is a bit different. As with a block of limestone, Russia and China will find the cracks.

The Chair: Thank you very much.

[*Translation*]

Thank you, Mr. Paul-Hus.

[*English*]

Now we'll go to Mr. Fragiskatos for six minutes.

Mr. Peter Fragiskatos: Thank you, Chair; and thank you to the witnesses.

Mr. Juneau-Katsuya, could I begin with you?

In listening to your presentation and reading your articles that have been cited in the media in recent years, I see what you basically describe as an asymmetrical security relationship. You talk about the fact that, if I can use the metaphor, democracies basically have a hand tied behind their backs because they are limited in what they can do because of the rule of law and because we subscribe to certain norms.

Taking that into account, what can democracies like Canada do to ensure that we are protected and that our system of ensuring national security at various levels is protected against threats posed by authoritarian regimes like China's government?

Mr. Michel Juneau-Katsuya: I totally agree that we are in a disbalanced situation. We are not fighting equally.

One of the reasons for this situation is that we must return to the ballot every five years, while there is a perennity with the Chinese government. They know that they don't have to change their course of action. The next government will not necessarily have different priorities; they will simply continue.

Their planning, when it comes to strategic planning, as has been said in the past by their own officials, is not planned over years; it's planned on generations. They are planting seeds today that they will be capable of harvesting later on because of this capacity to go on forever.

What can we do in that perspective? Ask for reciprocity. Ask for more balance between what they offer to us and what we offer to them.

I will give you an example. A few years ago we sold the Nexen company to a Chinese government-led company for $15 billion. Try to buy a corner store in China if you can. I challenge you to be capable to even do such a thing. We won't be able to do it.

When you have an energy company led by government officials who are capable of setting foot in a province like Alberta, if they need to call the premier, they will do it directly. I am a Canadian; if I call the premier in Alberta, I'll probably be put on hold forever.

In that perspective, it's that disbalance we are talking about that exists, which we must correct ourselves.

Mr. Peter Fragiskatos: Thank you very much.

Before I turn to Ms. Brady, I think it's also encouraging that under this government, at least, we've seen investment in federal policing specifically in the area of national security capabilities, but your points, Mr. Juneau-Katsuya, are very well taken.

Professor Brady, thank you again, for participating all the way from New Zealand. That's very kind of you to take part in tonight's meeting.

I want to ask you a very straightforward and blunt question. In terms of lessons learned from New Zealand's experience with respect to Chinese efforts at social, political and economic influence, what are one or two that you would point to that Canada can look to and seek to implement here?

Ms. Anne-Marie Brady: I have recently written a paper assessing, over the last four years, changes that New Zealand has made since this topic of China's political interference has come into our public conversation.

What we have seen that has been effective is the public conversation, a series of of inquiries into our Parliament having these conversations, and that led to passing new legislation looking at the weak spots within our society.

I'd really highlight the legislation, because in some sectors there is a real tendency to say that we can fix it and that we don't want legislation because we don't want to offend China.

I will highlight that typically the universities don't want to have some kind of foreign FARA legislation, like the U.S. has, but we need these kinds of things. We need both legislation and the conversation about that sunlight being the best disinfectant, as they say, and we also need public awareness. If the public knows what is going on, they can also make good choices in their interactions.

The problem we have had is that our Minister for National Security has barely talked about the issues at all. That is our Prime Minister. You have to take the lead from the very top.

We also saw what happened to Australia, about how they started the debate first of all, and the bluntness with which it was raised perhaps was difficult.

What I would say is that you have the public conversation in Parliament, which is really important, because you have Hansard to protect people. Parliamentary privilege protects people in saying things that could be difficult outside Parliament. Then there's the media understanding the seriousness of the issue and legislation that will properly deal with the weak spots that China is exploiting.

● (2000)

Mr. Peter Fragiskatos: Thank you very much.

I think I have 20 seconds left, so I won't ask you another question, but at some point in your testimony I wonder if you could comment on how to guard against any consequent rise in anti-Chinese racism or hate incidents. If a government recognizes China as a threat—and certainly I take all your points here very seriously—my worry is that we would see a consequent rise in anti-Asian hate in Canada. Any thoughts on that would be appreciated.

The Chair: Thank you, Mr. Fragiskatos. We'll have to wait for that.

[*Translation*]

Mr. Bergeron, it is your turn. You have six minutes.

Mr. Stéphane Bergeron: Thank you, Mr. Chair.

Thank you again to the witnesses for their fascinating and extremely relevant insight.

Mr. Juneau-Katsuya, in my many years in Canada's Parliament, I have seen the Canadian way at work: francophone witnesses speak in both official languages, while anglophone witnesses speak in English. You have proven the rule this evening. Thank you for your insight.

In your book, *Nest of Spies: The Startling Truth About Foreign Agents at Work Within Canada's Borders*, you talk about the creation of front companies, businesses whose sole purpose is to gather information for the Chinese government.

Can you give us any examples of these companies in Canada?

Mr. Michel Juneau-Katsuya: Many companies were created, especially in the 1990s, before Hong Kong's handover to mainland China in 1997. Many of them were front companies that came here to gather information. They expressed a desire to work with Canadian companies, but once they had obtained the information they were looking for, they would disappear.

Similarly, another witness talked about the Confucius Institute and its branches, which are doing exactly the same thing right now. They are essentially spy satellites sent out by China. In fact, the head of the Confucius Institute in New Brunswick was asked to leave Canada after engaging in activities that looked a lot more like espionage.

I, myself, recall investigating a case where, once again in New Brunswick, a previous director had asked a provincial government employee for an official email address for himself, so he could access provincial government information. That would have been a gateway to all of the provincial government's information, and that's not the only example I could give you.

Numerous incidents around the world are raising doubts about organizations like the Confucius Institute and companies that come to steal technology and information. In some cases, they also work with Chinese organized crime. When we see incidents where the Chinese government is to some extent colluding with organized criminals to carry out certain activities, it's especially disturbing.

The phenomenon is currently being studied in British Columbia in relation to casinos. The situation was exposed by a defector in the 1990s. The defector told the Australian intelligence service that, in the early 1980s, when he worked for the Chinese intelligence service, his job was to go to Hong Kong to recruit triads to ensure the 1997 handover went off without a hitch. That's another example of the collusion going on right now between Chinese organized crime and the Chinese intelligence service.

● (2005)

Mr. Stéphane Bergeron: Thank you, Mr. Juneau-Katsuya.

Ms. Brady, you recommended that the New Zealand government create a foreign agent registry to prevent foreign interference. That was in 2019.

What criteria should the registry be based on? Could foreign agents who are allies of Canada end up on the list?

What do you have in mind? What else could Canada put in place?

[*English*]

Ms. Anne-Marie Brady: Thank you for your question.

I think New Zealand, Canada and Australia have many similarities in our parliamentary systems and laws, and I think we would benefit from exchanging information on what works and what mistakes we want to avoid.

I do think that we need the system of registering of foreign agents. We need transparency, greater transparency, to enable the public and companies to make good decisions about who they're partnering with in China, but we also have to be careful that we don't damage our democracy in the process.

I would recommend exchanges between Canada and Australia, which has already set up such a system, and the United States, which already has a well-established system in place.

Thank you.

[*Translation*]

Mr. Stéphane Bergeron: Isn't that exactly what the Five Eyes partnership does?

[*English*]

Ms. Anne-Marie Brady: Parliaments can talk to each other separately of the Five Eyes signals intelligence conversation. Just because parliaments happen to have this other relationship through Five Eyes doesn't mean that every interaction we have is with Five Eyes. I'm talking to you from New Zealand and I have nothing to do with Five Eyes. MPs can talk to each other. I think that would be very valuable, because we love our democracy so much. We love freedom of speech, and freedom of association and privacy are important too.

How do we get the balance right? That's something I think we can work out for ourselves.

[*Translation*]

The Chair: Thank you, Mr. Bergeron.

Mr. Stéphane Bergeron: Thank you.

[*English*]

The Chair: Now we'll go to Mr. Harris for six minutes, please.

Mr. Jack Harris: Thank you, Chair, and thank you to both of our guests tonight. I appreciate your presentations.

Professor Brady, you did a presentation to the New Zealand government on interference with elections in 2017, I think. Can you tell us a little bit about the nature of that interference? What form did it take, and is it something that we can or should be looking out for? What can we do about it, if there is anything?

Ms. Anne-Marie Brady: For each national election and also each local government election, the New Zealand Parliament does an assessment afterwards to see how it went and if there were any concerns about it.

My government held two separate inquiries into foreign interference, with an overall review of those elections in 2017 and then local body elections in the years that followed. We found that CCP proxy groups or individuals had given donations to our local and central government politicians.

This is why the public conversation is very important. You can be sure that our MPs and our mayors were not willingly receiving money from the CCP. They did not understand who their partners were. They do understand it better now. In our report to the electoral commission this year, we did not see any donations like that for the central government elections.

We saw inappropriate donations, and there are several investigations in our Serious Fraud Office at the moment into particular cases of this. The process of doing these cases has led to better education. We also saw in the Chinese-language media in New Zealand that in previous years there was an attempt to get the Chinese public to bloc-vote for a certain party that had a candidate who was very much a CCP proxy. We also saw some disinformation within the Chinese-language media about the elections. We also saw disguised political advertising, which breaks our electoral law.

The problem is that we have very weak measures to deal with these problems. We need to go back and look at our electoral legislation. We need to put Chinese-language speakers into our electoral commission.

We need to change our press laws too. One of the hardest things to fix in New Zealand, which we haven't yet worked out how to fix, is how our New Zealand Chinese diaspora are being targeted by the CCP, which regards them as a resource and a tool for their foreign policy. They are mostly the victims of these activities. Also, their media must now follow the same censorship guidelines as domestic Chinese language media.

Our government hasn't yet worked out how to remedy this problem, although I would highlight that yesterday our foreign minister did something very good: She praised a non-CCP, non-united front ethnic Chinese community group in her important speech on New Zealand-China relations. We need to provide better support for our local Chinese communities and show that they're diverse and not all as much under the control of the CCP as they would wish.

● (2010)

Mr. Jack Harris: Thank you, Ms. Brady.

Mr. Juneau-Katsuya, can I ask you a question?

Back in 2007, Mr. Judd, a former director of CSIS, said that about half of the time with CSIS was spent in dealing with Chinese interference. Do you have any reason to believe that there is any less interference now, or is it more? Why is it that we hear very little about people ever being charged with acts of clandestine activities? We hear about intimidation, but we don't hear much being done about it. Could you elaborate on those aspects?

Mr. Michel Juneau-Katsuya: Yes. Before I go, I would like to support what Ms. Brady has said. Exactly as she described, we observed it from the Chinese government right here in Canada in previous elections as well.

As for prosecution and the problem of investigating, first, it has increased. We see much more interference taking place. Many more agents of influence have gained very strategic positions at all three levels of government: municipal, provincial and federal.

When it comes to prosecution, one problem that exists is within our own system. Prosecution lies within the responsibilities of the RCMP. CSIS cannot prosecute, and unfortunately CSIS does not play well with the other kids in the schoolyard. They don't share information that well. They don't share information as they should be sharing information, and the RCMP has lost the ability to investigate spy activities because they have been out of the game since 1984 with the creation of CSIS.

We have to readjust this. The parliamentary committee on security and intelligence that was created is one way. The problem and the weakness is that every five years we have a new bunch of people on the committee, with a new bunch of analysts joining them.

Mr. Jack Harris: Thank you.

I have only 15 or 20 seconds left. I can't really ask you another question, except I am very interested in knowing whether there is an increase in the percentage of activity that's devoted towards Chinese influence as compared to other forms of influence.

The Chair: How about yes or no?

Mr. Michel Juneau-Katsuya: Yes.

The Chair: Okay. There you go.

Thank you very much, Mr. Harris. We'll now go on to the second round, and we have Mr. Williamson for five minutes.

Mr. John Williamson: Thank you very much, Mr. Chairman.

Ms. Brady, could I ask you to expand on New Zealand's laws surrounding a registry of state media, foreign agents and lobbyists—where these laws exist, where they don't, and how they are working?

● (2015)

Ms. Anne-Marie Brady: You are really testing me today.

We are still having this difficult conversation on it within our government. Also, the problem that New Zealand has is that we only have three years for our Parliaments. In 2017, suddenly the conversation of Chinese political interference became something within the public eye as a result of my paper going public, and it confirmed what our SIS was saying. When our new government was formed, it took six weeks for them to form a coalition government. They had to do their own assessments. That took six months, and it was difficult, because it completely challenged our existing thinking about China, which had been seeing China as this economic partner, and there was also a kind of hopeless sense that there was a problem we couldn't do anything about.

What my country decided finally was that national security trumps economic security. In other words, without national security you have no economic security, and everybody needs to learn this lesson, from our businesses to our universities.

Then it took another year to start this inquiry into foreign interference, and there was a big battle to make it a public conversation.

It's a slow journey. At the end of the first inquiry, which lasted over one year, our Minister of Justice said we will be passing more legislation. I think you know from your own process in Canada that, exactly because the problem as Monsieur Juneau-Katsuya has talked about is so bad in our society and so endemic, it takes a long time to address. However, we are addressing it and we are slowly passing legislation on, for example, looking at overseas investment in New Zealand. Now there's a national security requirement.

I can forward a paper I've written recently that shows the legislative change. Because we are democracies, we have to have this public conversation about it. We don't just arbitrarily change our policies. It's our strength and also our weakness and vulnerability, which the CCP will play on.

Mr. John Williamson: That's right. Thank you.

I hope Canada will catch up to the work that New Zealand is doing. At this point, we're having that conversation as well, so I understand exactly where you're coming from.

Mr. Juneau-Katsuya, you said that CSIS doesn't play well. How can we change that?

The Americans don't seem to have this challenge the same way we do. We see more activity there, more of both collaboration and arrests.

What do you think needs to be done to get everyone working together so that the security side is working with law enforcement so we're not just seen as a paper tiger?

Mr. Michel Juneau-Katsuya: We definitely need to share information. We need to receive the briefings from our experts who are following the situation and they need to be allowed to share more information. There's a certain control, and probably an old Anglo-Saxon reflex of having a stiff upper lip and not talking too much.

Let's start with our elected officials. They should be briefed a little bit better not only on the challenges coming from China, but coming from any foreign interference and any foreign influence—coming from anybody. Starting right there would be a great start. Then go to the business leaders, involve them, work with them, and share more information among agencies.

One of the big flubs that we had was with a little case, a Russian case in Halifax. CSIS refused to share information with the RCMP, and the RCMP had to go and improvise all the way. This is a big challenge that we have currently.

Mr. John Williamson: We've also seen this with some tragic consequences, going back to the Air India bombing, of course, where information wasn't shared.

Mr. Michel Juneau-Katsuya: Oh, yes.

Mr. John Williamson: Does this require a legislative change? I'm not sure just urging them to share would.... Do you think another oversight body is needed or that a law needs to be changed to require this better behaviour?

Mr. Michel Juneau-Katsuya: No, it's not necessarily a change in the legislation but a change in the leadership and the stewardship. They need to be capable of accepting that one day they might have to testify.

The Chair: Thank you very much.

Thank you, Mr. Williamson.

Mr. John Williamson: Thank you.

The Chair: We'll now move to Ms. Yip.

Ms. Yip, you have five minutes.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thanks to both of you for coming on. I know the hour is getting late.

Mr. Juneau-Katsuya, I have a question for you.

In response to the NSICOP report, national security expert Stephanie Carvin said the fact that director David Vigneault publicly named China marks a big shift in the intelligence community, calling it “a huge change”.

What are your thoughts on this, as well as the director's recent public speeches acknowledging the threats that the CCP poses to Canadians, and how Canadians need to be aware of this and take measures to protect themselves?

● (2020)

Mr. Michel Juneau-Katsuya: I think it's about time we called a cat a cat and a dog a dog.

Probably in modern history China represents, for Canada, the most formidable opponent and threat to our democracy, to our economy, and to our Canadian citizens of Chinese descent or from other origins.

The Chinese government perceives the relationship with others doing business not as we understand it. For the Chinese government, they are basically at war, and everything goes when at war. They are ready to do what they need to do, which is to bribe, to cheat, to lie and to bully, because the name of the game is to win—that's it, that's all.

At the end of the day, if you really want to understand how the Chinese government works, learn the game of Go, because the game of Go is basically a question of acquiring territory and having influence on the board. It has nothing to do with luck; it has to do with strategy. They are the most formidable strategists, and the use of influence is greatly important.

The change of policy and the change of direction from the director of CSIS in finally naming China for what it stands for should also be a guidance or a sign for the government and elected officials that we need to stand up to China. Unfortunately, internationally, there is dissension. Internationally, we do not necessarily work together. For us, we just see the Huawei cases. When we started to weaken, some other people came from behind and tried to fill up the emptiness that we left behind. We need to be capable of co-operating internationally and definitely of trying to start working together in Canada as well.

One of the great problems that I've seen within the public service, for example, was in our conflict with Huawei. Shortly after the trouble started, with court procedures and everything, we saw the Global Affairs department consider a Chinese company, Nuctech, which is equally as problematic as Huawei, to secure our embassies and our consulates for several million dollars. It's like the right hand is not talking to the left hand. We do certain things in government, but we lack the support of our public servants. I'm talking about Global Affairs. If one department should have had knowledge of what was going on, it was these guys. I think a kick in the butt was missed here somewhere.

Ms. Jean Yip: Thank you.

I will now turn to Ms. Brady.

You mentioned in an earlier response that the New Zealand government needs to do more to support those in the Chinese community who are victims of the CCP interference. Has there been an increase in anti-Asian racism?

Ms. Anne-Marie Brady: Thank you for your question. Actually, we haven't seen anything like the awful incidents that have been occurring in the United States, for example. We have a history of racism against our New Zealand Chinese population, a very similar one to Australia's. There was an idea of yellow peril and excluding particularly women from migration to New Zealand in the gold rush days. More broadly, we are a post-colonial society, and so we have a history of racism here as well. So far, we have not had any extreme cases.

I want to go back to the question of Mr. Fragiskatos about how we can deal with the CCP political interference activities in our countries, which for New Zealand is the top priority of our SIS. Their top job is dealing with foreign interference, which for New Zealand means China, and yet protect our New Zealand Chinese community and signal that we see them and understand that they are the victims of the CCP's efforts to control their communities and control their media.

My government, as I said, for the last four years has been trying to work out, first of all, whether we can afford to deal with the problem, and then talk about what we're going to do. I have been repeatedly saying to my government that first of all, when we talk about this issue, we say, “CCP”, “CCP government”, “the Peoples Republic of China”. Don't just say, “They're Chinese”, because it's dehumanizing. We have to be careful with our language.

● (2025)

The Chair: Thank you, Ms. Brady.

Thank you, Ms. Yip.

[*Translation*]

Mr. Bergeron, we now go to you for two and a half minutes.

Mr. Stéphane Bergeron: Mr. Juneau-Katsuya, what you've said more or less confirms what we've been observing for a few weeks now.

No matter which party is in power, when it comes to the federal government, the right hand doesn't really seem to know what the left hand is doing, and that can certainly be an advantage to countries like China.

We recently heard about a case where some sort of agency backed by a Chinese fund was hired by the Canadian government to manage the visa application process in China. The agency subcontracts for a Chinese company. It's all interconnected. The Chinese are involved from beginning to end.

When we asked Canadian intelligence authorities who had looked into the company, there was a long pause. Clearly, no one in the Canadian government had done the necessary checks.

Was that sort of thing happening during your time in the federal bureaucracy?

Mr. Michel Juneau-Katsuya: Unfortunately, yes, it was.

The level of understanding of the China file, specifically, is quite poor across the Canadian government, even within CSIS at times. Unfortunately, the threat is not properly recognized or understood. The Chinese operate and think differently. Their operational capability is much different; their methods are over our heads.

We must take a more rigorous approach, without necessarily being exclusionary or racist. We certainly need to be a lot more rigorous if we want to understand the ins and outs of how they operate.

Understanding the game of power and influence is crucial. The Chinese use influence as leverage, whether it's investing money or cozying up to elected officials. The idea is to alter the course of events in their favour.

Whenever I brought up the issue at CSIS or within the government, all too often, I was told that we had to give China an opportunity because of our capitalist system. The Chinese, however, are the ones who invented capitalism. They are much smarter than we are at exploiting capitalism. They know exactly which levers to pull to exert the influence they want.

There is a lack of awareness and a failure to listen on the government's part. Innovation, Science and Economic Development Canada, for instance, can, at a certain point in the process, consult intelligence services on issues of national security. If the intelligence service flags a risk, the department can refuse to let a foreign company set up shop in Canada without having to disclose certain information. In this case, that would mean a Chinese company. However, that mechanism is hardly used, and the concerns of intelligence services tend to fall on deaf ears.

Mr. Stéphane Bergeron: Thank you.

The Chair: Thank you, Mr. Bergeron.

[*English*]

Mr. Harris, you have two and a half minutes.

Mr. Jack Harris: I think you said my name, Chair, but your voice is not coming through again for some reason. Thank you, though.

First of all, Professor Brady, I have a simplistic question. What would you say to someone who asked whether it would be effective to tell people who may not play by the rules that they should register as a foreign agent? Would such legislation be effective in the situation you're talking about? Could you explain how that might work?

● (2030)

Ms. Anne-Marie Brady: Thanks for that question.

You have to be very clear-eyed about the CCP. You are not going to catch every aspect of the CCP's or China's active measures. It's going to come at you like a wave, endlessly.

I think we need to learn from the experience of Lithuania, Estonia, Finland and Latvia, which have been dealing with Russian political interference for a long time. What they do to make their society resilient, apart from having excellent laws on political interference—and I recommend that you look at Lithuania's law on this—is that they educate their population. In Finland, for example, they have regular courses on disinformation for the wider public. They inform them. They don't necessarily say who is the source of the disinformation.

We have to be realistic in realizing that we're not going to catch every aspect of it, but we have the legislation and we have a good public campaign in place that will help to educate our population and help to keep ourselves resilient and strong. We can expect that we're going to be getting this political interference from China under the leadership of Xi Jinping indefinitely, and that's why we have to be clear-eyed about the challenge.

Mr. Jack Harris: I'm asking you how it's effective, though. What would it provide, for example, if you experience some sort of interference that appeared to be on behalf of the Chinese government? Would it in itself give rise to a charge without your having to prove anything other than the fact that this person appeared to be an agent of the Chinese government and was not registered? Is that one way it would be effective? You're talking about education more than anything else.

Ms. Anne-Marie Brady: What we see with the American experience is that Chinese government-associated companies or actors and state media have to register as what they are. It helps to curb behaviour. It's only one tool to deal with this. We have to have a range of tools.

The Chair: Thank you, Mr. Harris.

Thank you, Ms. Brady.

Colleagues, noting the time and that we have another panel to come, I propose that we thank our two witnesses.

Thank you so much for appearing today. It's much appreciated.

We will suspend for five minutes for a health break and for the new witnesses to have sound checks.

Mr. Garnett Genuis: Mr. Chair, I have a a quick point of order.

I think one of the witnesses had a longer written opening statement. Do the witnesses know that if they have longer versions of their comments they can submit those in writing? We would appreciate seeing them.

The Chair: That is a very helpful point of order. Thank you, Mr. Genuis. I'm sure the witnesses heard that.

[*Translation*]

We will now take a five-minute break.

● (2030)

(Pause)

● (2035)

The Chair: Joining us now is our third panel. We have Steve Waterhouse, a retired captain and former information systems security officer at the Department of National Defence, and a cybersecurity specialist.

[*English*]

I would also like to welcome Christian Leuprecht, professor, Department of Political Science and Economics, Royal Military College of Canada. Thank you both for being here tonight.

[*Translation*]

Mr. Waterhouse, we will start with your opening statement. You have five minutes. Go ahead.

[*English*]

Mr. Steve Waterhouse (Captain (ret'd), Former Information Systems Security Officer, Department of National Defence and Cybersecurity Specialist, As an Individual): Thank you, Mr. Chair.

[*Translation*]

Good evening, ladies and gentlemen.

It is a pleasure to be here to share my views on certain concerns I—and my fellow Canadians—have regarding the security of personal information and modern online business practices vis-à-vis the presence of Chinese companies in our society.

I can summarize the situation this way. Members of the public, businesses of every size and governments at every level in the country are, without exception, equal in the face of cyber-risks and cyber-attacks.

Over the past 20 years, we have suffered tremendous economic setbacks because of cyber operations targeting businesses and governments.

During that time, our researchers and developers have come up with cutting-edge technology breakthroughs that make—or, rather, made—us the envy of the world. China's intelligence service, the Ministry of State Security, or MSS, and Chinese hacker groups who support, and are condoned by, the Chinese Communist Party of the People's Republic of China have had a gay old time doing harm to our institutions and businesses.

The Canadian Centre for Cyber Security, as evidenced in its "Canadian National Cyber Threat Assessment 2020" report, and the Office of the Director of National Intelligence in the United States are unanimous: China's pursuit of strategic objectives, such as its Made in China 2025 plan and events marking the centennial of Chinese communism in 2049, pose a major cyber-risk.

During the current public health emergency, Canada's health researchers have noted that internal and external threat actors are hindering the development and deployment of measures to prevent and mitigate the risks of COVID-19.

In the past, threats targeted economic development, government institutions and our way of life—basically, critical infrastructure.

During the past 20 years, China has worked hard to catch up to the west in the areas of innovation and development.

● (2040)

The Chair: Mr. Waterhouse, sorry to interrupt.

[*English*]

Mr. Steve Waterhouse: Yes, Mr. Chair?

[*Translation*]

The Chair: The interpreters are having trouble because you're speaking too fast. Please slow down a bit, if you wouldn't mind.

Mr. Steve Waterhouse: All right, Mr. Chair.

The most striking example for Canadians is no doubt the theft of manufacturing patents, strategic plans and other intellectual property from Nortel between 2000 and 2009.

The strategic information was passed from the MSS to engineers at Huawei, as Nortel executives in Canada ignored RCMP and CSIS warnings.

Unit 61398 of the People's Liberation Army was responsible for what happened at Nortel and went on to do the same elsewhere in the world, including in Calgary; in 2012, the unit breached Telvent's networks and stole the industrial control system manufacturer's source code. The company's software is used to control electricity grids, water systems, subway and other public transit systems, and most of North America's oil and gas pipelines. Now, more than ever, our critical infrastructure is at risk.

I should also mention the spectacular data breach at the National Research Council's Ottawa and London offices in 2014. The agency's IT network was hacked and basic research on quantum cybersecurity was stolen.

The National Counterintelligence and Security Center in the United States is now warning against the unwarranted and abusive collection of DNA data by Chinese pharmaceutical companies.

What can we do?

Unlike some of its friends and allies, Canada has yet to make the strategic decision to rule out Huawei as a business partner and competitor in building the country's 5G network. The current government has put off saying whether it sides with its allies or Huawei.

On Friday, April 16, Quebec government officials expressed their desire to do business with Chinese companies like Huawei, without conducting a threat and risk assessment.

A statement like that clearly shows just how unaware our leaders are of the cybersecurity risks, as economic considerations seem to be all that matter. A major telecommunications company in the Netherlands learned the hard way that it wasn't as informed as it should have been on the subject. In fact, thanks to the company's networks, China was able to eavesdrop on the Dutch prime minister's conversations beginning in 2010.

In its dispute with India, China also recently demonstrated its ability to hack into an electricity grid in the Himalayan region.

Do Canada and its neighbour to the south have the capacity to detect and stop a similar breach, before Chinese hackers gain control of electricity grids to launch a cyber-attack along the lines of the 2003 blackout?

We are in a cyberwar. This is information warfare.

We need to improve what is not working and support initiatives that will help the various stakeholders contribute to a better quality of life, in both the physical and digital realms. We can then regain our position as the global economic leaders we inherently are.

I would be happy to answer your questions in both official languages.

The Chair: Thank you, Mr. Waterhouse.

[*English*]

We'll now turn to Mr. Leuprecht for his opening remarks. Please proceed. You have five minutes.

[*Translation*]

Dr. Christian Leuprecht (Professor, Department of Political Science, Royal Military College of Canada, As an Individual): Thank you, Mr. Chair.

Thank you for inviting me to appear before the committee. It will be my pleasure to answer questions in both official languages, but I will make my presentation in English.

[*English*]

I think China poses the greatest threats to Canadian western foreign policy in decades. You can see its military strength and how it compensates for some of its weaknesses there, with its economic weight and its global ambitions. I think the basic line here is that Canadians need to start seeing the world for what it is rather than what we would like it to be. It is a highly competitive, highly contested world of geopolitical conflict, of permanent conflict below the threshold of conventional war or nuclear attack. What we see here is just part of this broad spectrum wherein we're being pressed hard on many fronts. This has been the case since 2008.

I think the relationship with China is best described as “competitive interdependence”. Alaska is a good example. We had an hour of grandstanding on both sides, and then we had eight hours of strategic dialogue on key issues of common interest. We need to understand that while there are many issues in terms of competitive interdependence in which we are fundamentally interlinked—economically, for instance—there are also many issues and interests on which we have fundamentally irreconcilable differences. I think the takeaway is that Canada can't impose its will on China, but Canada also must not accept a subordinate role in that relationship. We have to get ready for long-term, systemic competition.

The competition is fundamentally about how we unlock the potential of our people and how we achieve our national ambitions. This is ultimately more about competition than about confrontation per se. Sometimes you just need to co-operate with your competitors. This is not a monochromatic relationship, and this is why, I think, we're here tonight. To the committee's credit, you're wrestling with this extremely challenging and complex relationship in which we also have inescapable interdependence on everything from knowledge economies to issues such as Iran and North Korea.

What can Canada do? We need to realize what we can and can’t do. We won’t decide China’s regime type, and we can’t determine the size of China’s economy. We can, for instance, realize that the four attributes—which I can't go into for reasons of time—in the formula that has gotten China to this point over the last 40 years no longer apply. What lies ahead is not going to be a linear trajectory of the kind we've seen in the past. China's judgment here is that it is no longer in a stable relationship with the U.S., so it needs to strengthen itself for strategic competition. I think Canada needs to do likewise. It needs to fortify itself with its friends.

One of the things we need to do is to counter the Chinese narrative that the east is rising and the west is in decline. Chinese media are great purveyors of narratives, and authoritarian systems always excel at showcasing their strengths and concealing their weaknesses. We need to learn to distinguish between image and reality and not inadvertently buy in. Let's have some self-confidence. Let's not inflate the threat or weaponize it for political purposes.

Let's also realize that China is not 10 feet tall, that alarmism doesn't help us here, and that China has lots of vulnerabilities. Canada is much better positioned than China to meet the challenges of the 21st century in terms of per capita GDP, energy and food security, demographics, education, social harmony, immigration, allocation of capital, transparent geopolitical systems and so forth.

Instead of focusing on how we can degrade China's strengths, we need to focus on how we can bolster our own. By doing that, it's going to be easier to unite our allies. The key aspect about influence is that we need to make the choices. We need to choose the issues that are important to us and on which we want to make a difference. On those issues, we need to shrink the gap with our allies. We need to boost our domestic dynamism and we need to capitalize on our global network and our alliances and partnerships.

In the previous session, there were many mentions of the Five Eyes. Of course, the Five Eyes is no longer just a signals intelligence community. There are law enforcement components, border components, human intelligence components and financial intelligence components. There's a lot that we are doing and a lot more that can be done. We need to shore up our global prestige, because that's something that China doesn't control. It's something that we control.

● (2045)

We need to ask ourselves questions. What is of national interest to Canada? Pick the example, for instance, of Xinjiang, or pick any other case studies. We need to lead by example. We need to speak out clearly and consistently. We need to make it clear to China that there is not going to be a normal relationship as long as that long shadow is cast over the relationship. We need to be attentive to the goods and items that are being produced with forced labour, as has already been pointed out.

We need to—

The Chair: Professor Leuprecht, I'm sorry to interrupt, but your five minutes are up.

I'm sure there will be many questions for both of our witnesses. We'll have some more time for you to speak, of course.

[*Translation*]

We will now begin the first round of questions and answers.

Mr. Paul-Hus, go ahead for six minutes.

Mr. Pierre Paul-Hus: Thank you, Mr. Chair.

Thank you for joining us today, gentlemen. My first question is for each of you. I would ask that you provide a short answer.

I would like to know whether you agree with Christopher Parsons, from Citizen Lab, who said that there was a constant inconsistency in the way Canada has developed its cybersecurity strategy and that the federal cybersecurity policy was somewhat outdated.

Mr. Leuprecht, do you agree?

Dr. Christian Leuprecht: The problem with the current policy is that it approaches cybersecurity as a policy area among others, instead of considering that anything to do with policy in this country is related to cybersecurity. So the policy should be overhauled.

Mr. Pierre Paul-Hus: Okay, thank you.

Mr. Waterhouse, what do you think?

Mr. Steve Waterhouse: The current cybersecurity policy is based on what has been seen over the past 20 years. It must now be changed because the threat has adapted. The way to respond to the threat and, more importantly, the laws and regulations have not been updated, and that is why we are currently at a disadvantage.

● (2050)

Mr. Pierre Paul-Hus: Thank you.

Mr. Leuprecht, in 2019, Huawei Canada announced a partnership with ICE Wireless and Iristel to connect Canada's and Quebec's far north to the 4G LTE network by 2025. Michael Byers, an expert on Arctic affairs at the University of British Columbia, thinks it is alarming to see a Chinese company with a monopoly of communications infrastructure in the Arctic.

What do you think about that?

Dr. Christian Leuprecht: It is completely irresponsible. In the case of KPN, in the Netherlands, Huawei was not only able to engage in espionage within the largest mobile network in the Netherlands, but it also targeted judicial interventions involving various individuals, among other things. That enabled China to identify counter-espionage operations against Chinese spies, for instance.

Mr. Pierre Paul-Hus: I like the word “irresponsible”. It's a strong word.

Mr. Waterhouse, there is a group of Chinese hackers known under the name Hafnium. It has been determined that the group is sponsored by the state and is operating outside China. This group was behind the hacking of Microsoft Exchange.

What is your assessment of the risk for Canadian and federal infrastructure?

Mr. Steve Waterhouse: Mr. Paul-Hus, the irony in this is that the FBI, in the United States, had to get involved to address the threat in some companies that were still infected. Several months after having been told that their system had been infiltrated, a number of companies had still not done anything.

The threat level is pretty high. It is surprising that, despite repeated warnings from the authorities, there was not enough media coverage to raise awareness among company executives or force them to take action. Once again, those who did not respond quickly enough had information stolen, as it is very easy for hackers to exfiltrate all the information from emails, which gives them an economic advantage. However, there will be no consequences in Canada for those who did not stop the leaks quickly.

Mr. Pierre Paul-Hus: Concerning cyber-attacks, could you paint a quick picture of the recent Chinese attacks on Canada's federal and provincial infrastructure?

Do you have an idea of what happened recently?

Mr. Steve Waterhouse: More recently, there was the Cloud Hopper operation, which tried to attack what we refer to as managed service providers. Those are companies that provide user support services in businesses.

CGI, a Canadian company, was one of that operation's victims. It was infiltrated and, through that third party, China had access to very important clients the company was doing business with through that contracting.

The Canada Revenue Agency and Statistics Canada were also among the victims. Through the web code, the leak can be intercepted and plugged quickly, but there is no doubt that it was a Chinese operation, as the same problem arose at Equifax, in the United States, afterwards.

Mr. Pierre Paul-Hus: What information do Chinese hackers favour?

Mr. Steve Waterhouse: Aside from stealing patents and intellectual property, they want to gather a lot of information on anything. As Mr. Juneau-Katsuya said earlier, they get anything they can and then they sort through it.

When it comes to the collection of personal information, I can cite the Office of Personnel Management, in the United States, which had anything that constituted Americans' personal information stolen, including security clearances.

The data stolen from Marriott and Equifax means that there is an information pool that makes it possible to take interesting photos, as facial recognition also comes into play. Around the world, a network is being established to catalogue people.

Mr. Pierre Paul-Hus: There are currently shortcomings in cybersecurity at the federal level, but I suppose that various provinces must not be better equipped than the federal government.

Overall, do you feel that we have a problem?

Mr. Steve Waterhouse: We have a very big problem, as, once again, everyone is working in a silo. That leads to information compartmentalization. It's even worse in Quebec because the province thinks it can do everything itself and rarely turns to the federal government.

Over the past two years, Quebec has requested assistance and information in order to make the right decisions concerning cyber threats. That's very recent. Before that, the province's mission was to be independent in every respect.

Mr. Pierre Paul-Hus: Coordination must definitely be established among all players where cybersecurity is concerned.

Canada is the only member of the Five Eyes alliance that still accepts Huawei. We have seen what that kind of a situation can lead to in the Dutch report.

Mr. Leuprecht, can you tell me in a few seconds what we should do? Should we immediately ban Huawei, yes or no?

● (2055)

Dr. Christian Leuprecht: Huawei should have been banned years ago.

Mr. Pierre Paul-Hus: Thank you.

The Chair: Thank you very much, Mr. Paul-Hus.

Mr. Lightbound, go ahead for six minutes.

Mr. Joël Lightbound: Thank you very much, Mr. Chair.

Thank you for joining us this evening, gentlemen. Your presentations were fascinating.

Mr. Leuprecht, I apologize if I am mispronouncing your name. You talked in your presentation about the importance of solidifying our relationships with our allies and focusing on our strengths. I am thinking of an article you published a month ago on the Russian and Chinese threat to Canada's sovereignty in the Arctic. In it, you discuss things like the ambitions of China, which claims to be a near–Arctic state, by I'm not sure what kind of a stretch of the imagination.

I would like to hear your comments on the importance of modernizing the North American Aerospace Defense Command, or NORAD, and on what can be done to better protect Canada's sovereignty in the Arctic.

Dr. Christian Leuprecht: My answer will be very brief. The major difference that has emerged over the past few years is that Canada itself has become a target because of the new weapons available to Russia and China and that the Arctic as such is now a geostrategic issue.

So it is not just a matter of renewing NORAD, but also of completely redesigning how data is shared within our defence system and within the Canadian Armed Forces. The command and control system must be reviewed across our entire continental defence system and our armed forces.

Mr. Joël Lightbound: Okay, thank you.

Several years ago, you sounded the alarm about the importance of doing a better job of raising awareness among our university researchers and our research networks about potential infiltrations by foreign actors who, for example, have direct ties to the Chinese People's Liberation Army. Those people are on Canadian university campuses and are infiltrating research networks.

According to the “CSIS Public Report 2020”, activities have increased significantly during the COVID-19 pandemic. The report of the National Security and Intelligence Committee of Parliamentarians, or NSICOP, also mentions that Canada has been the target of sustained and increased efforts by foreign actors, including China, Russia and Iran, over the past year.

How aware do you think networks of university researchers are of that threat posed by China, for instance?

Dr. Christian Leuprecht: I would say there is almost no awareness. However, university chief information officers are becoming increasingly aware. A cultural shift is really needed.

Last year, the United States revoked the visas of some 1,000 individuals who did not meet the authorities' requirements concerning their relationship with Chinese intelligence services and military members. About 1,000 other people left suddenly.

The same thing must be done in Canada. We have the same problem. To my knowledge, Canada has not revoked any visas. This shows our lack of ability to adopt our own legislation to prevent the infiltration of our post-secondary institutions. As a result, our adversaries are benefiting from our investments in research.

Mr. Joël Lightbound: I also think that an effort must be made to raise awareness. In that respect, CSIS has been more involved with the academic sector over the past few years.

Mr. Waterhouse, would you like to comment?

Mr. Steve Waterhouse: I concur with what Mr. Juneau-Katsuya said, to the effect that, over the past few years, until very recently, as you say, there has been a lack of awareness and, more specifically, of ties between educational institutions and the government. For example, there is a way to produce material, to declassify it in a particular way, to provide enough information to make very interesting products available to people who receive them. Those people can then implement policies or measures and foster a positive evolution in order to prevent the worst—in other words, intellectual property theft.

Mr. Joël Lightbound: Thank you.

I would like to ask you one last question, Mr. Waterhouse.

A Citizen Lab representative recommended that we pay serious attention to China's efforts to obtain a new IP—in other words, a new Internet protocol.

Can you tell us in more detail what that initiative represents, what it consists of and what dangers it could expose us to?

Mr. Steve Waterhouse: Concerning the IP you are talking about, is it the protocol or another way to communicate? What comes to mind is a way to communicate. IP version 6, which was developed some 15 years ago, should take more space. It is based on the quantity of available IP addresses. It is another way to communicate. All devices are capable of doing it, but an adaptation is needed to increase communications security.

IP version 4, which is being used now and is the foundation of the modern Internet network, is not at all secure. In that sense, it may be possible to insist on IP version 6 being adopted as an addressing plan.

● (2100)

Mr. Joël Lightbound: Thank you, Mr. Waterhouse.

We will have to continue this discussion at another time. The chair is signalling to me that I have less than one minute left.

Mr. Steve Waterhouse: Thank you.

The Chair: Thank you very much, Mr. Lightbound.

Mr. Bergeron, you have the floor for six minutes.

Mr. Stéphane Bergeron: Mr. Waterhouse, Mr. Leuprecht, thank you for joining us this evening.

Mr. Leuprecht, we had an opportunity to engage in a discussion just a few days ago.

Mr. Waterhouse, as a former Quebec minister of public security, I thought it was very interesting to hear you say that Quebec claims to be able to do things on its own. Once the situation improves and we can meet for a coffee, I would like us to discuss this.

Gentlemen, I am completely fascinated by the apprehensions expressed about a power like China in terms of cybersecurity. According to Greg Austin, who leads the Cyber, Space and Future Conflict Programme at the International Institute for Strategic Studies, China's cyber defence capacities are clearly inferior to those of most western powers, including Canada. According to him, Canada ranks ninth out of the 155 countries evaluated, while China ranks 27th.

Why is China such a threat to Canada?

In light of this very interesting information, I am wondering why Canada and other western powers are not an equivalent or higher cybersecurity threat to China.

My question is for both witnesses.

Dr. Christian Leuprecht: I yield the floor to you, Mr. Waterhouse.

Mr. Steve Waterhouse: Mr. Bergeron, I accept your invitation to have a coffee. It would be nice to meet with you at any time.

I haven't seen Mr. Austin's assessment points. I don't know how he figured out where China stood and where Canada stood. However, I can tell you that a key element is the power of each country. China has a team of about 100,000 cyber soldiers, if I may use that unit of measurement. In the United States, between 5,000 and 6,000 cyber soldiers work at the National Security Agency at Fort Meade. In Canada, only 200 or 300 people are mandated to carry out cyber defence. Conducting cyber-attacks is even a recent mandate.

In terms of the balance of power, we need to know whether we have full command of the technology, in comparison with China. China can absorb losses, but we can't. This would have a greater impact on us.

I would need to study this issue further to gain a better understanding of Mr. Austin's position.

Dr. Christian Leuprecht: It's a matter of resource allocation. China has much more to gain by infiltrating other countries' networks than by protecting its own networks from infiltration. It's simply a matter of maximizing the available resources.

Mr. Steve Waterhouse: I'll add that China has an airtight network that's very difficult to penetrate. It's also very difficult for Chinese people to get out. China controls the information in every respect, which gives the country another advantage.

Canada, on the other hand, is quite democratic. People can get on and off the Internet at will.

Mr. Stéphane Bergeron: Obviously, I haven't delved into Mr. Austin's data, but I gather that we have access to the technology. It's probably high-quality technology as well. However, we don't necessarily have the networks and the impunity— because China isn't accountable—that make it possible for China to do more or less what it wants, with a huge number of people involved. We don't have that here in Canada.

Have I summarized the facts correctly?

Dr. Christian Leuprecht: I believe that this speaks to Mr. Lightbound's comments.

Cybersecurity is a political issue. When it comes to the quality of cybersecurity and our networks, and the trade-offs between security and convenience, you must make the decisions and keep Canadians safe by improving the security of the tools and networks used in Canada and by strengthening data protection.

● (2105)

Mr. Steve Waterhouse: To update the ways to make this possible, we also need laws that are restrictive enough to discourage some people. We recently spoke about Bill C-11, which concerns the ability to protect individuals' personal data.

Without a definition of what constitutes a cyber conflict, on what basis can we declare the existence of a conflict with an organization that confronts us?

Even article 5 of the North Atlantic Treaty Organization, or NATO, doesn't define the term. This makes it difficult to know whether the unexplained shutdown of a power grid constitutes an act of war. Once a cyber conflict is defined, we'll be able to understand the scope.

Mr. Stéphane Bergeron: I gather that decisions must also be made at levels other than the federal level, including at NATO.

Mr. Steve Waterhouse: Exactly. This happens at the international level.

Dr. Christian Leuprecht: We currently need clear restrictions so that our opponents know that there will be severe consequences if they fail to comply.

Mr. Stéphane Bergeron: It's the red line.

Dr. Christian Leuprecht: We must make it very clear to our opponents that certain behaviour is unacceptable.

Mr. Stéphane Bergeron: Thank you, gentlemen.

The Chair: Thank you, Mr. Bergeron.

[*English*]

We'll go on to Mr. Harris for six minutes.

Mr. Jack Harris: Thank you, Chair.

Mr. Waterhouse, I saw a profile on you, describing you as one of Canada's first cyber-soldiers. I didn't know what to expect, but you look quite normal to me. When I heard you speak about countries having 5,000 or 6,000 cyber-soldiers, I realized that's a term that's in use and I hadn't heard it before, so thank you for enlightening us on that.

You told us about the threat that had taken place when the Nortel information was taken. The codes for the systems that ran the pipelines and the electrical system were stolen, but how does one overcome that? Has that been overcome, and what damage does that do to industry into the future? Can that be repaired and fixed? Do you have to restart everything to do that?

Mr. Steve Waterhouse: It is very difficult to repair what has been done. If we take the case of Nortel, it is one example of technology thriving in the 2000s. It made Nortel one of the foremost technological companies in the world, and made today what is Huawei, because it transferred all the technology over to Huawei. The cherry on the sundae was finding the microphones in the Kanata HQ when DND took over the infrastructure. That's one.

Two, is the Telvent codes. What's mesmerizing is that these codes are present in manufactured valves and installed in pipelines, so they cannot be replaced overnight. They cannot be updated, so if there is a flaw found in one code, it has to be communicated over an infrastructure. The advantage is to the attackers. You have to mitigate that vulnerability so that they won't be able to attain it. If they have access to it, and we saw a few attacks in Turkey almost 10 years ago in which they were able to create overpressure and blow up the pipeline.

That's the kind of critical infrastructure security we have to think about. We have to review completely where we are vulnerable or not. Every time there is a cyber-attack and there is a leak of information, the threat risk assessment has to be done all over again, which is absent in most cases.

Mr. Jack Harris: Tell me about something else that concerns me. I was reading about Citizen Lab, for example, saying that TikTok normally follows the proper rules of industry, but that it also has dormant codes contained within its software infrastructure.

What is a dormant code? Is there something we need to be concerned about when we have no knowledge of the history and background of people we're dealing with?

Mr. Steve Waterhouse: TikTok is meant, first and foremost, as an information operation platform, meaning that it can influence and it will introduce some information between small videos. If it controls the platform, it can can control the message. Once the program is installed in a phone, a tablet or whatever technology, they can remotely activate anything they want, because they control it.

It was found in a few types of similar applications that they had the reach to possibly turn on microphones, document pictures that were in the phone, and so on. It's in a minority of these applications that are out there, but that's the reality of playing with open sources, open platforms, that exist. They can reach and take the information they need.

● (2110)

Mr. Jack Harris: Is that something that can occur in industrial applications as well? Can you sell equipment and include in the equipment some kind of dormant code that allows someone else to control it five years later or whatever?

Mr. Steve Waterhouse: That's what keeps me up at night, because you never know where they have access to the code. As we saw in a few attacks a few years ago, some NSA tools to get access to some systems were leaked out, so there is access to electronic tools to get access to some systems, and this is what we're saying would happen in an attack on Microsoft Exchange servers. Tomorrow morning there could be another type of zero-day attack, and “zero-day” means it's newly discovered, newly exploited. Those are the intricacies of technology. It's because there is a serious lack of quality control with the type of code that's laid out on the market.

I underlined this in another intervention four years ago, saying that medical code embedded into pacemakers or insulin pumps can be accessed remotely by someone who would like to do harm to someone.

Mr. Jack Harris: Take, for example, the electrical grid in Canada. It's complicated and complex. Our pipeline grid is as well. Is there an effective defence of that to provide resilience that can be relied upon by companies or by Canadians to know that they are safe?

Mr. Steve Waterhouse: We are safer certainly than the U.S., because we have fewer companies in the U.S. than in Canada, so as often as they can review the code, review the defence posture, they will be safer every time, but this has to be done every time there is a new threat. They don't perform these kinds of threat evaluations often, so they have to do it over again and often to be certain they address the right threats and apply the right mitigation.

Mr. Jack Harris: Thank you.

The Chair: Thank you very much, Mr. Harris. We'll now go to the second round.

We will move on to Mr. Williamson for five minutes.

Mr. John Williamson: Thank you very much.

Gentlemen, you both paint a rather disturbing picture in terms of challenges, and I take the point that I often think that Beijing's attempt to censor news and shut down debate is not a kind of strength but a sign of weakness.

Have you both considered the case for a slow divergence away from China? Since the open democracy and the open economy we operate in today have too many vulnerable points, plus with the United States advocating more nearshoring and onshoring and Japan doing the same thing and going so far as to fund its companies to repatriate home, is there a long-term strategic case for doing that as a way to minimize the numerous security threats to our institutions, our technology, our research centres, etc.? What say you to that argument or that line of thinking?

Dr. Christian Leuprecht: We don't see the economic decoupling that people had intended, and we saw the harm done, for instance, by some of the Trump tariffs to the U.S.'s own economy. What we need to do is be much more realistic about the challenges that some areas of Chinese technology, intervention and the strong persistent threat that China's ambitions present, and we need to posture ourselves accordingly, instead of taking these homeopathic sort of approaches with our heads in the sand, hoping that somehow we can turn China into a responsible actor.

Mr. John Williamson: Mr. Waterhouse, what do you say?

Mr. Steve Waterhouse: It's a different landscape than what it was 20 or 30 years ago, when the economy was favourable to bringing business back to China, and they were very favourable to that idea. People were working over there. We had very cheap pricing, and this is how the economy was rolling big time for us here, but the game has changed, and now we have clear paths that are just set by China, just like “Made in China 2025”, in which their main goal is to bring everything to be manufactured in China, and they'll become the world's manufacturer.

If we keep that in mind, we can see it means they don't care where they they get the information, and especially in the case of manufacturing, they will bring it over to China, and when it's all over, we're going to be left standing without anything. The only thing we'll be able to do is call China to buy things at a very high price.

That said, we have to acknowledge that the same economy that was driving us to go to China to manufacture everything has changed. Big manufacturers, especially of semiconductors, are changing their game plans and are now planning to make smart phones, tablets and electronics back in the U.S. or in Vietnam, as an example, or other places in Asia, because there is a real risk that at some point there won't be the flexibility to go back to China to do this.

On a second front, the big chip manufacturers in Taiwan are considering a plan B, because if overnight China wants to take over the island, as they have threatened to do, it will have a big impact on the electronic market.

● (2115)

Mr. John Williamson: That's absolutely right, particularly with Taiwan and their focus on chips.

Professor Leuprecht, you said you think we can still influence mainland China. You're not prepared to throw in the towel and say that this is a Communist country and they're going to use every resource they have.

I think the hope that WTO admission would transform China, whether through the one country-two systems route or the trade regimes of the last 20 year, has not been borne out, but you seem to suggest that you still think there's a way to change China.

Dr. Christian Leuprecht: I think we certainly have a number of tools available, in particular when acting with our allies, to raise the cost of certain types of Chinese behaviour in order to incentivize them.

I think we can also influence China through its society, by being seen as good actors. There are lots of opportunities, for instance, in such areas as air quality and water safety, as well as educational opportunities, because if we're seen by the Chinese people as a good actor, it's going to be much costlier for the Chinese leadership to take actions that undermine Canada's relationship with China.

We need, then, a more a nuanced approach.

Mr. John Williamson: Thank you.

The Chair: Thank you, Mr. Williamson.

Now we'll go on to Ms. Yip for five minutes.

Ms. Jean Yip: I am going to expand on Mr. Williamson's point and go back to your opening statement, Mr. Leuprecht, wherein you talked about image and reality and said that China has lots of vulnerabilities and that we need to bolster our own Canadian dynamicism. I like the positive statement and the support for Canada.

What are China's vulnerabilities? What can be done to bolster our own Canadian dynamicism in innovation?

Dr. Christian Leuprecht: I'll give you a quick overview of a few matters.

Looking at demographic change, China is going to hit peak labour by 2025. It has already maxed out in its productivity gains. Currently there are eight working Chinese per retiree; by 2050 there will be two. China has a real challenge with growing old before it grows wealthy.

It has rising debt levels—300% of GDP in 2019—and so China can't buy its way up the ladder in the way, for instance, that South Korea or Taiwan did. China is running out of runway to catch up, which is why President Xi is doubling down. He knows he has only so much time to catch up.

At the same time, there is the sclerotic political system, this Leninist rigidity. There is shrinking room for innovation and top-down decision-making. Bad news is never tolerated at the top. This is why we saw the challenges coming out of Wuhan in reporting on the virus.

We see the rising negative views of China, which are at historic highs across a diverse set of partner and allied countries, including Canada. There are budgetary constraints with a cooling economy. There are rising demands from its population and an aging society. There are serious risks of default on some of the loans from the belt and road Initiative, which would have serious legitimacy implications for the Chinese leadership, which has really sold this idea as the future of China. They're also vulnerable on food and energy security: China can't grow enough food for its population, and it imports half its oil from the Middle East.

I can go on, if you'd like.

● (2120)

Ms. Jean Yip: Yes, do go on about the belt and road Initiative.

Dr. Christian Leuprecht: The belt and road Initiative is of course an opportunity to influence in particular the neighbourhood, but it also provides global reach. It comes at very high risk, however, because China has sold this to its population by saying that this money will be repaid, that this is a worthwhile investment. If some of these investments—some of the bigger ones, especially—start going sour, then the whole narrative around which social cohesion in China is now built, which is on the one hand the ideological narrative around nationalism and on the other hand one of economic prosperity, will ultimately be undermined.

I think the belt and road Initiative, then, presents considerable risk as much as it presents opportunity for China, especially in the aftermath of the pandemic and the economic uncertainties across many of the countries to which China has lent massive amounts of money.

Ms. Jean Yip: Thank you.

Mr. Waterhouse, I have a question about the increase of hostile threats towards Canada's research, biopharmaceutical and life science sector during the COVID-19 pandemic. Also, NSICOP stated that research networks in Canada, among other countries, "...have been targeted by intelligence collection efforts of China, Russia and Iran."

What additional security measures have organizations in these targeted sectors had to take during the pandemic?

Mr. Steve Waterhouse: First of all, it was to acknowledge the threat that was knocking on their door without them knowing about it. In a few instances, CSIS went along and just informed them and counselled them on the best course of action to take to protect their network, but that was it.

Compare that to the U.S. response. We saw recently that the FBI was not even asking companies. They got an authorization from the justice department and entered those vulnerable servers and corrected the vulnerability that was found there.

The big difference here is that here they were just notified and then left on their own to fix it, and if not, to protect their infrastructure without even knowing what was to be protected. I'm pretty sure a few got hit hard, and what "hard" means is that the research they had done was just siphoned out of there and back to China, to their advantage and not ours.

Ms. Jean Yip: I don't think I have any more time.

The Chair: You have about nine seconds. That's close enough to no time.

Ms. Jean Yip: I'll just leave it. Thank you.

The Chair: Thank you very much, Ms. Yip.

[*Translation*]

Mr. Bergeron, you now have the floor for two and a half minutes.

Mr. Stéphane Bergeron: Gentlemen, in your opinion, is China the main threat to Canada's security right now?

Dr. Christian Leuprecht: China poses the most significant threat to Canada's security in decades. However, I don't believe that China poses an existential threat to Canada.

The assertion that China poses an existential threat would make it more difficult to build a coalition of allies to impose constraints on China.

Mr. Steve Waterhouse: In its 2020 report, CSIS identified China as a clear threat to Canada's security. Mr. Vigneault, the director of CSIS, made this clear in a speech on April 9. You may not be interested in geopolitics, but geopolitics is interested in you. There's always a threat to Canada's security outside the country.

For example, if the proposed takeover of the TMAC mining company by a Chinese company had been accepted, China would have had a foothold in the Arctic. It would have been able to set up its Huawei telecommunications network in the northwest passage exchange line, which is in NORAD's area of responsibility and is very close to mass hydroelectric facilities.

The answer to your question is yes, and China still wants more.

Mr. Stéphane Bergeron: Mr. Waterhouse, what are your thoughts on Mr. Leuprecht's assertion that China doesn't pose an existential threat to Canada, unlike the Soviet Union, which once did?

Mr. Steve Waterhouse: We were an obstacle that prevented the Soviet Union from reaching the United States.

As Professor Leuprecht said earlier, China comes to Canada to buy groceries, so to speak, because we have the material that they need for their production. We have plenty of clean water and we have enough food for their population. So Canada is a source of raw material for this country of processing.

● (2125)

Mr. Stéphane Bergeron: While all eyes are on China, isn't there a risk that Russia will make a move without us noticing?

We now realize that troops are stationed on the border with Ukraine. Should we continue to monitor Russia closely?

Mr. Steve Waterhouse: Yes. We should also keep a close eye on North Korea, Iran and international organized crime.

Dr. Christian Leuprecht: That's why I was very disappointed when Mr. Biden announced sanctions against Russia in relation to SolarWinds and Canada did not. In Canada, at least 100 companies have also been affected. President Biden pointed out that some of the behaviour was unacceptable. I think that Canada needs to be a better ally.

The Chair: Thank you.

Mr. Stéphane Bergeron: Thank you.

The Chair: Thank you, Mr. Bergeron.

[*English*]

We will go on now to Mr. Harris for two minutes and 30 seconds.

Mr. Jack Harris: Chair, I have a question for either witness.

We've heard from Mr. Juneau-Katsuya that CSIS spends over half its time dealing with the foreign influence of China. We know that the numbers for Chinese diplomats in Canada are huge compared even to those from the United States.

Is there a reason that Canada is particularly subject to Chinese attempts such as this? Is it because of our vulnerabilities or is it because we pose a fairly rich target for Chinese interests, whether it be intellectual property such as Nortel, scientific advancement or access to minerals and research? What is it? Is there an answer to that question, or are we just part of their influence around the world?

Dr. Christian Leuprecht: We're a diverse society. We're a highly digitized and highly technological society. We're all the things you listed, but look, here's the contrast. Last week Christopher Wray, the director of the FBI, testified before Congress. He indicated that the FBI opens a new investigation of China every 10 hours. There are about 32.5 million businesses in the U.S. and there are 2,000 active investigations going on. By comparison, in Canada we have about 1.23 million businesses. That number would suggest that statistically we should have 75 open investigations and one new case every month. How many cases, Mr. Harris, do we actually have?

We need a federal police force that can deliver on federal priorities. We need to have a federal government that is committed to making sure we have a force that doesn't spend 85% of its time and resources doing contract policing. In the 21st century, it is not acceptable that we have a federal force that cannot deliver on federal priorities.

Mr. Jack Harris: Mr. Waterhouse, would you comment?

Mr. Steve Waterhouse: I second the motion. Federal resources should tackle federal problems so that we can then evolve into a better country. Yes.

Mr. Jack Harris: What's China's interest here? Is it because we're vulnerable or because we're rich?

Mr. Steve Waterhouse: Because we have weak laws, they can bribe. As Mr. Juneau-Katsuya said, they can invest into the political system and then work their way around and even modify laws to their advantage. Yes, we are a commodity to them.

Dr. Christian Leuprecht: It's markets of opportunity.

Look, the U.S., Australia and U.K. are much harder targets than Canada because of the sort of legal ecosystem and the homeopathic security intelligence system that we have—

The Chair: Thank you very much.

Thank you, Mr. Harris.

[*Translation*]

We have only five minutes left. I suggest that we divide the time between Mr. Paul-Hus and Mr. Dubourg.

Mr. Paul-Hus, you have the floor for two and a half minutes.

Mr. Pierre Paul-Hus: Mr. Leuprecht, on Monday you said that Canada was the only major democracy that didn't have its own foreign intelligence service, and that it was therefore lagging behind the other G7 countries.

Did this harm Canada, at the beginning of the pandemic, in relation to China?

Dr. Christian Leuprecht: Absolutely.

Look at the countries that were in a very good position in terms of their intelligence services, including Taiwan, Australia and even Vietnam. They responded very quickly, not only because of their intelligence services, but also because of their assessment capabilities.

[*English*]

They have a strategic assessment capability. The U.S., Australia and the U.K. each have a strategic assessment capability. In Canada we don't have one. We don't have the capacity to

● (2130)

[*Translation*]

provide strategic advice and information to our government. We don't have a biosafety plan either. We have spent

[*English*]

roughly $400 billion,

[*Translation*]

and an intelligence service would cost us about $500 million a year.

[*English*]

It's a premium of one-tenth of one per cent of what we spend on the pandemic. I think that's a premium worth paying.

[*Translation*]

Mr. Pierre Paul-Hus: Thank you. That's very informative.

Mr. Waterhouse, the National Security Act, 2017, is up for review in 2022.

What changes should we make to the act with regard to cybersecurity?

Mr. Steve Waterhouse: First, you must acknowledge that this issue affects all departments and all areas of society and that there must be an active, not passive, education program.

Right now, the Canadian Centre for Cyber Security is providing some great information. The information is available on a website, but it isn't actively being shared in the field. Even information technology professionals don't know that the information exists yet. I've had to speak to clients and institutions about this.

The more actively the government shares this knowledge, the more directly it will help the public.

Mr. Pierre Paul-Hus: Thank you.

The Chair: Thank you, Mr. Paul-Hus.

Mr. Dubourg, you have the floor for two and a half minutes.

Mr. Emmanuel Dubourg: Thank you, Mr. Chair.

Good evening, Mr. Leuprecht and Mr. Waterhouse. Thank you for contributing to our study.

First, Mr. Leuprecht, I'm pleased to hear from you. I think that this is one of the first times that a witness is talking about the vulnerability of China, for example, and about how to adapt, even though you're saying that we must adjust certain federal policy priorities.

Mr. Waterhouse, at the start of your presentation, when you were talking about metros, pipelines and all that, I was a little concerned.

As a former information systems officer, do you find that, in 2021, Canada's security infrastructure has declined?

Mr. Steve Waterhouse: The issue isn't that the infrastructure has declined, but that it's a victim of failing technology.

As I said earlier, there's very little quality control in computer programming. We rely on the fact that corrective measures will be taken in the future to address programming flaws.

The programming of several key applications for our society isn't up to date. This makes our society quite fragile.

Mr. Emmanuel Dubourg: The National Security and Intelligence Committee of Parliamentarians is looking at the infrastructure issue and making recommendations.

What are your thoughts on this? Do you see this as a good thing?

Mr. Steve Waterhouse: I don't see this as a good thing. Again, it's all talk and no action.

The committee members should go out into the field and talk to the workers who maintain the equipment. This would give them the chance to understand that all the bureaucratic complexities are causing a number of issues and would go a long way towards helping them resolve the situation.

Mr. Emmanuel Dubourg: I sat on that committee for a year and a half. We met with all the senior officials from CSIS, the RCMP and the Communications Security Establishment.

Mr. Steve Waterhouse: However, you didn't meet with the workers on the job sites.

The Chair: Thank you, Mr. Dubourg.

Mr. Emmanuel Dubourg: Thank you.

The Chair: I want to thank the witnesses for appearing before the committee this evening. We greatly appreciate it.

[*English*]

Mr. Garnett Genuis: Mr. Chair—

[*Translation*]

The Chair: The witnesses can provide their written comments.

[*English*]

Was that it, Mr. Genuis?

Mr. Garnett Genuis: Mr. Chair, I actually just wanted to seek clarification on whether we're expecting documents from the Public Health Agency of Canada tomorrow. What is the process for that, and will you be distributing them?

The Chair: I'm following the decision in the motion passed by the committee. We are receiving them, and they are going to the law clerk.

Mr. Garnett Genuis: Okay.

The Chair: That's my interpretation of the decision, which I understand is different from yours. I appreciate that, but that is my interpretation.

Mr. Garnett Genuis: Could I clarify, then? Are we going to see the documents on Monday when they're received.?

● (2135)

The Chair: First we will get the report from the law clerk.

Mr. Garnett Genuis: Then we will see the documents and the report from the law clerk at Monday's meeting. Is that correct?

The Chair: We will see the documents, as redacted by the law clerk, at Monday's meeting. That's what I expect. Then again, of course, it goes into the hands of the law clerk first, who has to do his work. I'm not going to assume the time it will take him to do that.

Mr. Garnett Genuis: Okay.

The Chair: Thank you very much.

The meeting is adjourned.