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Chair: Mr. Ken Hardie



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• (1835)

[English]

The Chair (Mr. Ken Hardie (Fleetwood—Port Kells, Lib.)): I call the meeting to order.

Welcome to meeting number nine of the House of Commons Special Committee on the Canada–People’s Republic of China Relationship.

Pursuant to the order of reference of May 16, 2022, the committee is meeting for its study of the Canada–People’s Republic of China relations, with a focus on the Canada–Taiwan relations for the first hour and a focus on the exposure of Canadian investment funds to Chinese equities and bonds linked to human rights violations for the second and third hours.

Today’s meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I have a few comments to lead with.

For the benefit of the witnesses and members, please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute it when you’re not speaking.

I think everybody on Zoom has received the test and all of the instructions, but you have the choice at the bottom of your screen of the floor, English or French for interpretation. For those in the room, you can use the earpiece and selected the desired channel.

I would remind you that all comments should be addressed through the chair.

For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

In accordance with the committee’s routine motion concerning connection tests for witnesses, I can confirm that all of our virtual witnesses have had the test and are ready to go.

I would like to welcome Ms. Mathysen and Mr. Kurek to.... I’m sorry. It’s Ms. Blaney. I knew that, but it’s a long way down there. Thank you for filling in. By the way, please pass on our best to Ms. McPherson, who’s not well at all today. Make sure she knows we’re thinking of her.

I’d now like to welcome our witnesses for the first hour. From the Department of Foreign Affairs, Trade and Development, we have Paul Thoppil, assistant deputy minister, Asia-Pacific; Weldon Epp, director general, northeast Asia; and Jennie Chen, executive director, greater China political and coordination.

There are two quick things.

As you know, this panel was due to visit with us last week, and at the last minute was unable to. Letters have been exchanged and explanations given. I believe those have been distributed to the committee.

I’d also ask the committee’s indulgence. The topic this panel is here to present to us is all about trade and it might be, in fact, a good crossover between the focus on Taiwan and the focus of the next study we’re doing on trade with China. I would ask your indulgence in accepting questions and answers from this panel for use in the Taiwan study, as well as the following study.

If everybody is in agreement with that, we will ask, I believe, Mr. Thoppil to make the opening comments.

You have five minutes or less.

[Translation]

Mr. Paul Thoppil (Assistant Deputy Minister, Asia Pacific, Department of Foreign Affairs, Trade and Development): Thank you, Mr. Chair, for the opportunity to address this committee on Canada’s engagement with and concerning Taiwan.

[English]

Let me first offer my sincere regret for the unintended inconvenience to committee members last week due to the technical difficulties both GAC officials experienced. After repeated unsuccessful attempts to connect, House of Commons IT advised us that the appearance by officials via video conference could not proceed—although both officials remained on standby pending instructions or options at that time.

I am here with the same officials this evening to answer your questions. Should the committee be interested, I would welcome an opportunity to also update you on my recent engagement at the 18th Annual Canada-Taiwan Economic Consultation in Taipei, where I was last week at the time of the committee hearing and where I met with various Taiwanese cabinet ministers.

[*Translation*]

Since 1970, Canada has built significant cultural and economic ties with Taiwan, as well as people-to-people ties. Taiwan is an innovative, democratic and globally-connected society.

[*English*]

Canada's engagement with Taiwan is anchored in its one China policy, under which the Government of Canada recognized the People's Republic of China as the sole legitimate Government of China, taking note—neither challenging nor endorsing—the Chinese government's position on Taiwan.

[*Translation*]

This framework has allowed Canada to deepen co-operation with Taiwan in areas such as renewable offshore wind energy and indigenous trade.

• (1840)

[*English*]

Whether it is maintaining semiconductor supply chains to support critical global industries or providing medical assistance and expertise toward fighting the COVID-19 pandemic, Taiwan has become an important stakeholder across a range of pressing issues of global concern. It is for this reason that Canada continues to support Taiwan's meaningful participation in international organizations where there is a practical imperative and where Taiwan's absence would be detrimental to global interests.

As you may know, Canada has a complementary and growing trade and economic relationship with Taiwan based on robust business-to-business ties, shared values and significant science, technology and innovation collaboration. Canada's ongoing economic consultations with Taiwan continue to be very productive, covering a broad range of topics, such as agricultural market access, co-operation on indigenous affairs, green economy, supply chain security, intellectual property policy dialogue, export controls and education.

Although Canada regained partial access to the Taiwanese beef market in July 2016, we continue to advocate for greater Canadian market access for beef over 30 months of age.

Canada remains gravely concerned about the events in August that led to a rapid escalation of tensions across the Taiwan Strait. In response to the PRC's live-fire exercises and economic coercion following a visit by U.S. Speaker of the House of Representatives Nancy Pelosi to Taiwan on August 2 and 3, Minister Joly and her G7 counterparts urged the PRC not to unilaterally change the status quo by force in the region and to resolve cross-strait differences by peaceful means.

Canadian officials have also communicated directly to the Chinese embassy on Canada's concerns in the region.

[*Translation*]

As a Chinese-speaking democracy, Taiwan continues to make significant strides toward consolidating a dynamic and pluralistic society in which the rights and freedoms of women, the LGBTQ+ community and indigenous peoples are guaranteed by the rule of law.

Within the parameters of its “one China” policy, Canada engages both sides of the Taiwan Strait to advance issues of common interest, while maintaining respect for human rights and fundamental freedoms. This has informed the Government of Canada's approach to advancing its interests with and concerning Taiwan for over five decades, and will serve as a basis for continued engagement into the future.

[*English*]

As we move forward, Canada's recently released Indo-Pacific strategy will also contribute in shaping the development of our relationship with Taiwan. The strategy presents a comprehensive framework to deepen our presence and engagement in the region by increasing our contributions to regional peace and security. Finally, it will allow Canada to strengthen its position as an active, engaged and reliable partner in the Indo-Pacific, including Taiwan.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you very much.

We will go to our first round of questioning with Mr. Chong for six minutes or less.

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

Thank you to our witnesses for coming today to testify in person. We appreciate that greatly.

In the Indo-Pacific strategy, the government says “we will challenge China” when it comes to China's belligerence and threatening behaviour in the region. You mentioned, as was noted, that Minister Joly spoke up publicly when China increased its military aggression towards Taiwan around the visit of Speaker Pelosi.

My question is on whether there a process in place in the department to assess when the Government of Canada is going to speak up to challenge China on this kind of behaviour, or is it more of a situation-by-situation assessment?

Mr. Paul Thoppil: I think the framework that's been outlined in the Indo-Pacific strategy is quite clear. It provides guidance for us to be proactive in providing guidance to the minister and the Government of Canada in responding to events in a much more proactive way, based on the agreed framework. I think what you will see, Mr. Chair, are more recommendations where China is contravening the international rules-based order.

• (1845)

Hon. Michael Chong: There is a process the department has put in place to make those assessments to provide advice to the minister in future situations. Okay, thank you.

The strategy also mentions that the Government of Canada is reviewing all mechanisms and structures, such as memorandums of understanding and dialogues with the People's Republic of China. I have two very quick questions. How many of these do we have? I assume they're in the dozens between Canada and the People's Republic of China. Second, how long is this review of these memoranda and dialogues expected to take?

Mr. Paul Thoppil: Mr. Chair, I'm going to ask my colleague Weldon Epp to respond to that.

Mr. Weldon Epp (Director General, North East Asia, Department of Foreign Affairs, Trade and Development): I don't have at my fingertips the actual number. You're right, it would be in the dozens of dialogues. We're talking about dialogues, MOUs and agreements. They're not all the same in terms of the mechanisms, the legal import and certain obligations under them.

That review is under way. It's already begun, so we will continue through a process led by GAC to work with partner departments to review them. It's very important.

Hon. Michael Chong: Will the department make any public announcement when the review is complete?

Mr. Weldon Epp: Mr. Chair, I would say that's a question for which I don't have an answer, because the review is under way. I think that, once we understand what the results of the review are, there will be opportunities, particularly because some of these do involve stakeholders, and they will have to be publicly discussed.

I would just say that the premise and the philosophy is that everything's under review, but not everything reviewed will change or disappear.

Hon. Michael Chong: I understand.

Mr. Weldon Epp: If there are changes, those would have to be communicated publicly.

Hon. Michael Chong: My advice is that it would be good to have a deadline. If there are no deadlines, things tend to drag on.

I have a question with respect to Taiwan. Earlier this year, the Government of Canada announced that it intended to enter into negotiations on a foreign investment promotion and protection agreement. Where are those? Where are we in the process? Have negotiations begun? When are they expected to begin, if they haven't? When are we expected to conclude such an agreement?

Mr. Paul Thoppil: Mr. Chair, as we know, in January Canada launched exploratory discussions with Taiwan on a foreign investment protection agreement. Those discussions have now been con-

cluded. Now an assessment is under way as a result of those discussions. What Minister Ng has conveyed to her Taiwanese counterpart is that a decision will be made soon and will be conveyed to him, as I said, soon.

Hon. Michael Chong: Another quick question is on part of the new strategy. Are there any plans for a minister of the Canadian government to visit Taiwan, as we saw with Minister Manley's visit some time ago to Taiwan?

Mr. Paul Thoppil: Right now I'm not apprised of a planning calendar whereby Canada's trade minister would go.

Hon. Michael Chong: There are no current plans for a visit.

Mr. Paul Thoppil: There are no plans based on our current planning calendar, but, that being said, a ministerial visit will be dependent upon which of Canada's interests necessitate a ministerial trip.

Hon. Michael Chong: When a new FIPA's concluded, I think it would be appropriate for the relevant minister to sign the agreement in Taipei. That's just something I put on the table.

Just as a final, quick question, Minister Joly mentioned that the Government of Canada would be deploying a new frigate, a third frigate, to the Pacific region as part of this strategy. Many defence analysts have pointed out that Canada doesn't have a resupply capacity of any sort in the Pacific region.

As part of the ongoing defence review, is the government planning on bringing military and security resources to the region in addition to what's been outlined in the Indo-Pacific strategy?

• (1850)

The Chair: Give a brief response, if you could, please.

Mr. Paul Thoppil: Mr. Chair, I think that's a question that should properly be asked of Department of National Defence officials, particularly in the context of the development of the defence policy update. The Indo-Pacific strategy has already been quite clear in what the military contribution is, but I can't say more beyond that.

Thank you.

The Chair: Thank you, Mr. Chong.

I will go to Mr. Cormier, for six minutes or less.

[*Translation*]

Mr. Serge Cormier (Acadie—Bathurst, Lib.): Thank you, Mr. Chair.

I'd like to thank the department officials for being here this evening. We appreciate it.

I have a few questions about Canada's Indo-Pacific strategy. In speaking with business people in my riding, I am often asked what the much-touted Indo-Pacific strategy is all about.

The second objective in the strategy focuses on expanding trade, investment and supply chain resilience.

Can you describe how Canadian companies can benefit from the strategy? After all, the strategy will be in place for years, not just a week or a few months.

How will Canadian businesses be able to leverage the new strategy?

I would appreciate it if you could keep your answer to a minute or two, because I have more questions.

[English]

Mr. Paul Thoppil: We have to start with examining what are Canada's Asia exports. If you look at the flows as well as the FDI investments from that part of the world into Canada, they're dominated by certain countries. What the objective of this pillar of the strategy tries to achieve is ensuring expanded market access, diversification of trade flows and, therefore, ensuring more predictability and reliability of those export streams, and particularly foreign direct investment from trusted partners going forward.

What you will see are earnest efforts that have already been announced in terms of free trade negotiations with ASEAN, Indonesia, and early progress harvest agreement negotiations with India in order to send a signal to Canadian business about the opportunities with some of the fastest-growing economic growth regions in the world.

[Translation]

Mr. Serge Cormier: All right. Thank you.

I'm going to come back to my riding, because as you know, our fishery sector exports a lot of products to China, particularly crab and lobster.

One of the issues that kept coming up was the fact that it took years to build a market for these products in China.

How many years will it take to build similar markets in those other countries?

Are you sure there's potential for market diversification in those other countries? Certainly, it's going to take a long time.

Strategically speaking, are you confident that Canadian businesses will be able to take advantage of these new market opportunities?

[English]

Mr. Paul Thoppil: Chair, I want to thank the member for that really important question. That is a question I know Canadian businesses are asking based on the geopolitical environment that is changing.

First of all, I should start off by indicating that the strategy does not indicate that Canadian business should suspend doing trade with China. It is quite clear that businesses should engage and diversify within China, but also outside China.

Minister Joly was very clear that Canadian businesses should take an eyes-wide-open approach to their engagement with China, given the unpredictability that Canadian business has witnessed in trade flows with that country—as much as other countries have also experienced unpredictability—but that is a risk assessment that each Canadian business must do.

Diversification of revenue flows by companies doesn't happen overnight. All government can do is set the table in terms of frameworks for trade opportunities through free trade agreements and foreign investment protection agreements, as well as have a focus on where trade promotion and business development dollars should be in order to help Canadian companies concerning their marketing and their business development in order to achieve diversified revenue flows.

That's why the government has been very clear in the Indo-Pacific strategy with creation of an Indo-Pacific trade representative, moving to modernized trade Team Canada missions, as well as the creation of a trade hub or gateway to southeast Asia, and the early progress trade agreement negotiations with India to capitalize on what the IMF executive director says, which is that India and ASEAN are the two regions of the world that are experiencing the fastest economic growth rates. We're trying to set the table to encourage Canadian business to try to at least increase our possibilities of success on diversification of flow.

• (1855)

[Translation]

Mr. Serge Cormier: Very good. Thank you.

[English]

As you said, we should also keep doing business with China.

In your opinion, how do you think China views Taiwan's inclusion in the Indo-Pacific strategy?

Mr. Paul Thoppil: China has a one China principle that is very different from Canada's one China policy. Their one China principle makes it clear that Taiwan is and should be reunited with mainland China. Therefore, China doesn't condone either parliamentary visits to Taiwan or even my visit last week to Taiwan, because China believes that federal or ministerial visits are inconsistent in bestowing an act of sovereignty to the state that China believes should be a province.

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

We'll now go to Mr. Bergeron, for six minutes or less.

[Translation]

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

Thank you to the witnesses for being here this evening.

We really missed you last week, so we're very glad to have you tonight.

In a speech she gave on September 6, Taiwan's president, Tsai Ing-wen, accused the People's Republic of China, the PRC, of using cognitive warfare against Taiwan by spreading disinformation.

According to a September 6 Associated Press article, experts have warned that the PRC has made significant inroads within Taiwan's mass media and could plant false narratives in social media.

The Global Taiwan Institute, a Washington-based think tank, reports that the PRC's efforts to interfere in Taiwan's elections have grown more sophisticated and aggressive.

Without getting into the current debate on Chinese interference, I would like to ask you this question: What do we know about the measures Taiwan has put in place to counter China's disinformation campaign and efforts to interfere in Taiwan's internal affairs?

Moreover, what can Canada learn from Taiwan's experience?

[English]

Mr. Paul Thoppil: Mr. Chair, the member asked a very good question, and it was the subject of a discussion I had in Taiwan last week, which I'd like to share for the benefit of committee members.

What they have done within their government is organize an independent party that has the capacity to respond to disinformation from outside sources, and respond through social media through an app within one hour. They have the capacity to do that and are monitoring. The Taiwanese people are very much aware of this app and its responsive nature. Therefore, the Taiwanese people, because of the degree of responsiveness and the timeliness, don't necessarily take on board what is, in a sense, the breaking news that may come from a source that maybe propagating non-factual information. It's that degree of timeliness that the Taiwanese government believes has been very effective in making people aware that they shouldn't take, at first blush, news items that come right away. The key is the responsiveness and the one-hour limit.

• (1900)

[Translation]

Mr. Stéphane Bergeron: Given your discussions with your Taiwanese counterparts, what can Canada learn from Taiwan's experience in that case? To what extent can that experience be applied to Canada's situation?

[English]

Mr. Paul Thoppil: As we look at the proliferation of non facts, whether from external sources, from authoritarian states, or, dare I say, even from domestic sources, we need to ensure that Canadians receive those facts and get the right facts.

There are a number of ways to do that. There's the Taiwanese way with an independent party of the government with the capacity to move with some degree of alacrity in a responsive manner, but there are also a number of other ways to accomplish that. I'm just responding to your first question in terms of what the Taiwanese method is, but I don't think it's the responsibility or mandate of Global Affairs to address the larger question of ensuring that Canadians receive information from bona fide sources and that the information they receive is accurate.

[Translation]

Mr. Stéphane Bergeron: Thank you. That's interesting.

If it's not Global Affairs Canada's responsibility to make sure that a foreign power can't interfere in Canada's internal affairs and spread disinformation, whose responsibility in government is it?

[English]

Mr. Paul Thoppil: Mr. Chair, I think there are a number of agencies of the Government of Canada who are charged with ensuring national security, and I would turn to them first in terms of their mandate in order to mitigate foreign interference or the proliferation of disinformation from international channels onto Canadian soil.

[Translation]

Mr. Stéphane Bergeron: Therefore—

[English]

The Chair: Mr. Bergeron, I'm sorry. You are out of time, sir.

We'll go to Ms. Blaney for six minutes or less.

Ms. Rachel Blaney (North Island—Powell River, NDP): Thank you, Chair. I appreciate you getting my name correct that time.

The Chair: You're welcome.

Ms. Rachel Blaney: I want to thank all of you for being here today. I appreciate your time and your testimony.

We know that Canada pursues an official engagement with Taiwan in accordance with its one China policy, as you spoke of earlier. Are there any discussions at Global Affairs or in the government that you are aware of that would review or amend the one China policy?

Mr. Paul Thoppil: Thank you for the question.

I think our Indo-Pacific strategy, which was released on Sunday by the Government of Canada, makes it quite clear where we stand vis-à-vis Taiwan and our reiteration that we will remain consistent with our one China policy.

That being said, there is, in our view, lots of room for interpretation of engagement with Taiwan in Canada's national interests and values, and I believe that the Indo-Pacific strategy does cover, in terms of engagement with Taiwan, consistent with our one China policy, a number of areas beyond trade, such as technology, health, democratic governance and countering disinformation, as just a few things that we can do within the rubric of that one China policy.

Ms. Rachel Blaney: It's interesting that you talked about some of the ways that we can expand as Canada in deepening the engagement with Taiwan and the actors in Taiwanese society. You mentioned a few of those, but I'm just wondering if you could talk a bit about how you think Canada can deepen its economic ties with Taiwan.

Mr. Paul Thoppil: Mr. Chair, I think the Government of Canada has already announced a means to expand its economic relationship with Taiwan through the launch of the exploratory discussions on the foreign investment protection arrangement.

As I indicated previously, the Government of Canada is on a pathway soon in order to communicate the results of that exploratory process that has now concluded. That foreign investment protection arrangement, if proceeded upon, will in fact buttress what is already a robust trading relationship between Taiwan and Canada, as just one example of what we can do.

The other example is the result of the Canada-Taiwan economic bilateral consultations, which I had the privilege to chair on behalf of Canada with Taiwan, whereby one positive outcome that was agreed to was the production of a supply chain resiliency MOU in a number of sectors. That would provide comfort to a number of sectors of our economies in terms of working more closely together.

• (1905)

Ms. Rachel Blaney: Thank you for that.

I'm curious to know if you could speak a bit about the implications of Russia's invasion of Ukraine and what that means for Taiwan.

Mr. Paul Thoppil: Mr. Chair, I'm going to ask my colleague Weldon Epp to respond to that.

Mr. Weldon Epp: Thank you, Mr. Chair.

I think it's an excellent question. It has been the subject of much analysis and much discussion, obviously.

I know the member is well aware that the situations are quite unique and quite different in many ways, but what's been fascinating has been seeing how all parties involved in tensions across the strait have been taking on board lessons learned.

We're well aware that the Taiwanese authorities are reviewing and revisiting some of their own planning and operating assumptions around self-defence. We'll see some of that play out over the coming years.

We're also quite concerned with any lessons that the PRC might inadvertently take away with respect to western resolve to, as the minister said recently, oppose any unilateral change to the status quo across the Taiwan Strait.

I think the economic sanctions and quick, consolidated push-back against Russia's invasion of Ukraine have been interesting, but the Chinese have always taken a very long view of Taiwan. Their approach is not contingent on any particular timeline. I suspect they'll also be taking away lessons from what's happened in Ukraine. We may see some of that coming out of the party congress with respect to decisions around their own supply chain security domestically and their capacity to withstand those kinds of counteractions in response.

Although the situations are quite different, unfortunately there will be a lot of revisiting of assumptions around Taiwan security. It makes it all the more concerning for Canada because that brings in to play the risk of miscalculations or misunderstandings. One of the

primary concerns were the kind of exercises that we saw the PLA undertake in August.

Ms. Rachel Blaney: Thank you.

I only have a few seconds left. I'm going to let them go so that I can ask another question later.

Thank you.

The Chair: Thank you, Ms. Blaney. I appreciate that.

We'll now go to Ms. Dancho for five minutes or less.

Ms. Raquel Dancho (Kildonan—St. Paul, CPC): Thank you, Mr. Chair.

Thank you for being with us today. I appreciate it very much.

The last time you were here there was a story breaking about those three alleged Chinese-run police stations operating illegally in Canada.

I'm wondering if you've had an official dialogue or bilateral meeting with the ambassador to express Canada's outrage with these allegations?

Mr. Weldon Epp: Mr. Chair, the short answer is yes.

We've had several engagements. We've called the ambassador in on multiple occasions and we have conveyed our deep concern. The Government of Canada has formally insisted that the Chinese government, including the ambassador and his embassy, account for any activities within Canada that fall outside of the Vienna Convention and ensure that they cease and desist.

We continue to hold open the possibility of following up on those meetings with further decisions for how we take that forward, depending on how they respond.

Ms. Raquel Dancho: Thank you very much for that response.

Have you reviewed the credentials of the diplomats from China? Have they had any involvement with these alleged police stations in Canada?

Mr. Weldon Epp: Mr. Chair, that's an excellent question.

I would say that we are not at liberty in an open context to discuss our ability to work with partners from across town to acquire that kind of knowledge.

• (1910)

Ms. Raquel Dancho: Thank you very much.

I'll switch to another topic, which is the Indo-Pacific strategy.

I was hoping you could shed some light on Canada's positioning itself a bit more towards the AUKUS agreement or the quadrilateral security dialogue. Those weren't mentioned in the strategy.

Are we not striving to join those? Is that not a priority?

To me, it just seems that it's not a priority. Perhaps you can explain why that is and if that is detrimental at all. It seems like it would fit very well, based on the language used and the partners that we're looking to partner with to share intelligence and the like.

If you could just comment, that would be appreciated.

Mr. Paul Thoppil: Thank you very much for the question. I think it's one that others have asked as well, so it's a very good one.

I think Canada looks at plurilateral groupings regardless of what the objective is, based on whether there's a Canadian interest to do so. When we look at AUKUS, I think the Prime Minister was clear that it's an arrangement to acquire nuclear submarines. To my knowledge, National Defence is not necessarily advocating the acquisition of those.

There are, within the confines of that agreement or understanding, working groups on other aspects, such as emerging and critical technologies. That is of interest. We have informed Australia of our interest in certain aspects of the working groups under that agreement. Australia has been favourable to that.

Ms. Raquel Dancho: Thank you very much.

My next question is on critical technologies. I'm jumping around a bit.

It's on Taiwan's microchips and semiconductors. There's been a lot of discussion on whether, should it take over Taiwan—so to speak—China would, in essence, be in full control of the largest producer of semiconductors and microchips in the world. We would be, along with most other countries in the world, very vulnerable.

Has Canada had any discussions with our allies to make us less reliant on Taiwan for this? Is this on the radar? I did not read every word in the Indo-Pacific strategy yet, but I did not notice it being a priority or concern. I'm wondering whether it is a concern and what we're doing about it.

Mr. Paul Thoppil: Mr. Chair, I'm going to ask my colleague Weldon to respond to that.

Mr. Weldon Epp: Mr. Chair, I have a couple of things in response to that.

First of all, in response to the premise of the question—which is a very important one—some members may have noted a very recent but excellent report by the Rhodium Group based on economic modelling, which costed the impact of an economic blockade on the global economy, mainly because of the supply chain for chips. If you imagine China doing what it did as an exercise in August, but using that to enforce an economic blockade, that alone would have—they estimate—something like a first-order impact of two and a half trillion dollars on the global economy.

There are two reasons why that's important.

It gets to the question asked, Mr. Chair, which is, how do we work with partners to ensure that disruption to an essential part of everything we do—our whole economy—is something we don't wait to plan for the day after there is an embargo? There are very active discussions.

I think what's also important about the Rhodium Group study is that this should not be a concern only for China itself. Its own economy would be impacted by disruptions to supply chains in the chip sector—Canada's, as well...and China's most immediate neighbours. The premise of the Chinese government that what happens across the Taiwan Strait is an internal affair... With respect, even the kind of exercise they undertook in August would have an immediate global economic impact.

I think a scenario where China takes over Taiwan and then controls that supply is very hypothetical. There are lots of variables there. That's why organizations like the Rhodium Group have responded to your question by isolating even a more limited impact. It would make the economic impact of Ukraine look small by comparison.

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

We'll now go to Mr. Dubourg, who is going to split time with Ms. Yip.

Mr. Emmanuel Dubourg (Bourassa, Lib.): Thank you, Mr. Chair, and yes, exactly: I'm going to share my time with Ms. Yip.

[*Translation*]

I want to begin by welcoming the witnesses and thanking them for being here.

I have just one question for them.

I applaud the Indo-Pacific strategy Canada released on Sunday. However, a witness told the committee that, given the current geopolitical landscape, Beijing seems to be realizing more and more that it will not get a hold of Taiwan through peaceful means, meaning that some type of confrontation with the U.S. and its allies will be inevitable.

How should Canada protect itself from that potential risk? How might that affect Canada's Indo-Pacific strategy?

● (1915)

[*English*]

Mr. Weldon Epp: Mr. Chair, I'd be happy to take that question.

I think the member's right in citing the fact that analysts and governments around the world look at the situation across the Taiwan Strait and recognize a basic, obvious fact that I think we very much are taking to heart in our own policy planning; that is, a situation that for decades had a relatively stable, external environment—there were ups and downs and tensions, but basically the premise was quite stable—is changing. It's dynamic, and there is a lot of concern.

After that, things get more muddy, of course, because we're talking about the future. Of course there is concern that the Chinese leadership has put a bit of a clock on the situation in Taiwan, and some analysts focus very much on a time frame.

I would like to make a couple of points. I think it's hasty for us to assume that an invasion of Taiwan is inevitable. We all know that the official policy of the Communist Party, and all of their planning, is to reunify Taiwan; but their preference, obviously, would be to take any action that could do so short of a kinetic activity or warfare, not least for the impact that warfare would have on their own economy and their own people.

There is no inevitable invasion, but there is now growing tension. To the second part of your question, that is where, Mr. Chair, Canada is very actively working with like-minded countries to understand how we respond effectively to a dynamic situation, but with a common goal. The minister has made very clear in her public statements—and we have diplomatically—and to her ministerial counterpart, Mr. Wang Yi, that Canada is in very good company in opposing any action that would unilaterally destabilize the Taiwan Strait, the situation across the strait.

But that can't happen in isolation. We can't have impact on that on our own. That's why there are ongoing discussions, and that's why you see the G7 in the last few months has increasingly spoken up, with a shared voice, to make the same points.

Thank you.

Mr. Emmanuel Dubourg: Thank you so much.

Ms. Yip, it's your turn.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you.

In reaction to Speaker Nancy Pelosi's visit to Taiwan this past August, the PRC imposed targeted sanctions banning the imports of fruit and seafood from Taiwan. I can recall in previous years that there have been other fruit sanctions, such as on pineapples, causing much lost trade financially and food wastage in Taiwan.

Is this an ongoing issue with China? How does Taiwan deal with these trade fluctuations?

Mr. Paul Thoppil: Mr. Chair, what China did in response to Taiwan is yet another example of economic coercion that Canada has felt in a long history of coercion against other countries to advance political objectives—including Norway, Lithuania, Australia, South Korea, just to name a few.

It is hard for exporters to have a revenue stream that is reliant on one dominant buyer, as it is for many, as a previous member had indicated with regard to fisheries, and then suddenly find after so many years of predictability that it's suddenly interrupted. It causes tremendous hardship, and there are two challenges. How do you keep your current operations going, and where do you find the funds to try to seek out new markets? It is that very unpredictability that is at the heart of one of the strategic objectives in the strategy to encourage Canadian businesses to diversify. The Government of Canada is trying to set that table with other markets to do so.

• (1920)

The Chair: Thank you, Ms. Yip. I appreciate your question.

It's time now to go to Mr. Bergeron for two and a half minutes.

[*Translation*]

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

I'm going to follow up on my earlier line of questioning.

I have two questions about your discussions with your Taiwanese counterparts.

Do you sense that the Taiwanese are open to sharing their experience with us?

Did you pass on any such information to the appropriate Canadian agencies when you got back?

Mr. Paul Thoppil: That's a very relevant question.

[*English*]

The one China policy provides significant opportunity to engage with Taiwan, where, as I said previously, it's within the Canadian national interest.

You have recognized in the question that they have an expertise that's in our interest to learn from. Conversations have been initiated for that very same reason, both in terms of how they address in countering disinformation—and I cited how they are doing so with speed and responsiveness—and also, perhaps, that they are the best party globally in understanding China and China's behaviours.

So it is incumbent upon us, in order to engage and work with them to best understand and, therefore, incorporate what are practices that would work in our system.

[*Translation*]

Mr. Stéphane Bergeron: Perhaps I misunderstood your answer, but I'm going to ask the question again.

Do you sense that the Taiwanese are open to sharing the lessons they've learned with us? Also, did you share that information with the appropriate agencies when you got back to Canada?

[*English*]

Mr. Paul Thoppil: The answer would be yes to both of those questions.

[*Translation*]

Mr. Stéphane Bergeron: Thank you.

[*English*]

The Chair: Thank you, Mr. Bergeron.

We'll now go to Ms. Blaney for two and a half minutes or less.

Ms. Rachel Blaney: Thank you, Chair.

I know the Indo-Pacific strategy outlines five pillars or objectives. Can you please expand on what promoting peace, resilience and security looks like in Taiwan? Furthermore, what role, if any at all, should NATO have in preventing tensions between great powers from escalating into armed conflict in the Indo-Pacific?

Mr. Paul Thoppil: Mr. Chair, I think the Indo-Pacific strategy is clear: what Canada aspires to is the status quo in terms of regional peace and stability in the region. Therefore, we will engage, together with other like-minded countries, in opposing any unilateral actions that will threaten the status quo.

As part of that effort, Canada has invested in a number of initiatives to help contribute to the status quo and the regional peace and security in that area. That is a multi-initiative contribution, including an enhanced naval presence and a cybersecurity initiative, to cite two elements under that strategic objective of promoting peace and resilience and security.

With regard to second question on NATO, I think we need to be mindful that NATO is the North Atlantic Treaty Organization. Therefore, we need to be mindful of what Asian countries would like in how do they organize, discuss and reach out to non-Asian countries in terms of their desires to have them engage in order to be helpful in that regard. That's why participation in forums such as the ASEAN Post Ministerial Conference and the ASEAN Regional Forum are very important so that we can understand what is it they need in the way of supports to deal with their objective and our objective, which is regional peace.

• (1925)

The Chair: Thank you very much.

We did get started a little late with this panel, but we also have, of course, a changeover to make to the next panel. What I'm going to propose is two and a half minutes for each.

We'll start with Mr. Chong for two and a half minutes.

Ms. Rachel Blaney: Thank you.

Hon. Michael Chong: Thank you, Mr. Chair.

I have just a very quick question.

Minister Freeland and Minister Champagne have talked recently about reducing trade with the People's Republic of China and other authoritarian countries. Ms. Freeland was in Washington on October 11 at the Brookings Institution to about friend-shoring, and Minister Champagne was in Washington on October 21 talking about decoupling.

How is reducing trade and commercial relations, in other words friend-shoring or decoupling, consistent with the Indo-Pacific strategy, which says, "Canada will continue to protect Canadian market access in China"?

That's my question.

Mr. Paul Thoppil: Thank you very much for the question.

Minister Ng has been clear that we will continue to trade with China, and Minister Joly has also been very clear that Canadian businesses should engage in trade with China but take a wide eyes-open approach.

The Government of Canada is trying to be helpful to Canadian businesses by ensuring that Canadian business revenue is not dominated by a revenue flow that comes from autocratic states, whereby we have seen sudden cut-offs and unpredictability. Therefore, we're trying to facilitate that diversification through various free trade agreements and other mechanisms in order to encourage Canadian businesses to reduce their dependency

Thank you.

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

We'll go to Mr. Oliphant, Mr. Bergeron and then Ms. Blaney for two and a half minutes each.

Hon. Robert Oliphant (Don Valley West, Lib.): I just want to know whether you have any comment on the recent resignation of Taiwan's president as the chair of the party and what those losses for her party in the local elections mean with respect to the relationship between Taiwan and the People's Republic of China. She has occupied that position of chair of the party a number of times but resigned because of losses in local elections, which is what I read in the newspaper.

That had been an election issue, apparently, in the local elections, causing her then to have losses and then moving.... I'm just wondering: Is there a shift in the attitude in Taiwanese people or were those local elections about something else? Elections are sometimes about not what we think they're about.

Mr. Paul Thoppil: If I may, Mr. Chair, I'll respond initially, and then I'll encourage my colleague Weldon to respond as well.

I think what you have seen with the step-down is really a strong signal of democracy and a tone of leadership, whereby a party leader has seen a party not do well in elections and takes accountability. That is something that I think all democracies should take note of and take pride in going forward.

It was a local election. It wasn't a national election. I think voters in a local environment are looking for different things at the local level than the national one.

I'll turn to Weldon.

Mr. Weldon Epp: Mr. Chair, that largely covers it.

The short answer to the member's question is, I don't think there's any credible evidence that the results of the local elections suggest a shift in fundamental attitudes of the Taiwanese people towards their own future and the posture of the PRC.

One of the wonderful things about elections in Taiwan is that often, even at the national level, a lot of people aren't voting because of the topics that we pay attention to, such as cross-strait tensions. The friends we have in Taiwan are often focused on local issues such as environmental issues, etc.

While I think one of the parties tried to make it about that and campaigned on it, I think the result was quite resounding, and I think it's one of the reasons that the result you referred to, the stepping down as party leader, was the step taken.

Thanks.

The Chair: Thank you, Mr. Oliphant.

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

[*Translation*]

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

According to Canada's Indo-Pacific strategy, Canada will work with partners to strengthen and expand the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, and ensure that any form of expansion will be based on high standards and track records. It also says that Canada will strengthen its ties with Taiwan, including trade ties.

Given the circumstances, does that mean that Canada will advocate for Taiwan to join the CPTPP?

• (1930)

[*English*]

Mr. Paul Thoppil: Mr. Chair, I think the focus by CPTPP members, including Canada, is to ensure that the first accession member into the CPTPP, which is the U.K., meets the high bar that's embedded in the agreement through the results of the negotiations. It's clear that there is still work to be done in that regard with the U.K. before there is a satisfactory conclusion.

The CPTPP members are very mindful of the fact that the first member post the agreement in terms of accession is a precedential one, because it sets the bar for all of the others who aspire to join, and that includes Taiwan. The CPTPP members are saying that we really have to get the U.K. one right first. That's what the focus is on now. There is no real conversation at this juncture with regard to others that have expressed interest related to entry.

[*Translation*]

Mr. Stéphane Bergeron: The PRC has also expressed an interest in joining the CPTPP. Do you think that will make some members more reluctant to consider Taiwan's possible entry, even though many argue that Taiwan already satisfies a number of the admission criteria, unlike China?

[*English*]

Mr. Paul Thoppil: I think CPTPP economies are very mindful of the interest of China and Taiwan in there. I think they're also mindful of Taiwan's ability in terms of meeting the high standards. I think there may be some questions with regard to China's ability to do so, but China also brings significant market access and elements there.

Quite frankly, the focus is really not on those parties. The focus is really on the U.K. and getting the U.K. negotiations right.

The Chair: Thank you, Mr. Bergeron. I appreciate that.

Ms. Blaney, you have the final two and half minutes.

Ms. Rachel Blaney: Well, Chair, I have one only question, so we'll see how long it takes.

We know that Taiwan is a champion of the UN sustainable development goals. Can you share with us in what ways Canada can

learn from Taiwan and collaborate moving forward to ensure that Canada delivers on its development commitments?

Mr. Weldon Epp: Sure. Thank you for the question, Mr. Chair.

I think there are a number of areas in which we encourage growing collaboration between not only relevant government agencies that are responsible for different aspects of UN development goals but also civil society. I think those would include the deep collaboration that we've already seen for decades between Canadian and Taiwanese indigenous communities, meeting both developmental and cultural preservation heritage objectives of indigenous communities. We've seen this with respect to learning from the Taiwanese and how they manage health outcomes. It's a very different environment from Canada's, but it's an environment in which they have adopted in the past much of the Canadian approach to the public health system and public health insurance, but with local characteristics.

When things like SARS have broken out, or the pandemic that we're currently experiencing, we've taken advantage of that opportunity to look at not only how Taiwan is managing those health outcomes but also at whether there are lessons learned there for the work we do as a member of UN agencies across the commitments of the UN to global health or development outcomes.

Beyond that, Taiwan offers a very interesting governance story, a positive story, that gets at the capacity to move from being one of the poorest countries in Asia only a hundred years ago, or one of the poorest jurisdictions, to being an economy today that is dynamic and has a high GDP per capita but is also very inclusive in terms of participation by women and participation by other minority groups. There are a lot of lessons there.

Canada has worked with other partners and Taiwan through something called the GCTF, a global initiatives platform. Although outside the UN system and outside international organizations, it's a platform that the Taiwanese government has put in play to offer its best practices. We've now sponsored two of those events. We look forward to working with Taiwan, Japan, the U.S. and others to bring to the fore Taiwan's unique experiences even though it's not able to sit at UN organizations and do so formally itself.

Thank you.

• (1935)

The Chair: Thank you very much.

That brings to a close our first panel this evening.

I'd like to thank our three guests for appearing this evening.

Yes, sir.

Hon. Robert Oliphant: On a point of order, Chair, I just want to ensure that it's not too late for the testimony in this panel to be included in the report. We started doing drafting instructions for last week, and I'm hoping it's still open. This is mainly on the clarification between the one China principle and the one China policy. I think this was the first time we had that really clearly stated for our committee.

Is that okay?

The Chair: Yes. The analysts are nodding. As we mentioned off the top, we can use the material we heard in our first panel on the Taiwan study and on the trade study that we're starting now.

We'll pause for a moment, then, to set up our second panel.

● (1935) _____ (Pause) _____

● (1939)

The Chair: Welcome back, everyone. We are resuming the meeting with our second panel of witnesses.

I'd like to welcome our witnesses. As individuals, we have Dr. Geneviève Dufour, professor of international law at the Université de Sherbrooke, and Dr. Laura Murphy, professor, human rights and contemporary slavery, Sheffield Hallam University, where it is 1:30 in the morning.

From the Uyghur Rights Advocacy Project, we have Mehmet Tohti, the executive director, and Kayum Masimov, project manager.

Each group will have five minutes to make an opening statement.

We will begin with Dr. Dufour, for five minutes.

● (1940)

[Translation]

Dr. Geneviève Dufour (Professor of International Law, Université de Sherbrooke, As an Individual): Thank you, Mr. Chair.

Honourable members of the committee, good evening, and thank you for inviting me.

I am a professor of international law, and the focus of my research is the intersection between international trade law, human rights and environmental law.

My interest in Canada's relations with China stems from the fact that products imported from China are often suspected of being manufactured in conditions that do not meet human rights or environmental protection standards. Apart from a few exceptions, Canadian companies have a strong tendency to import Chinese inputs and our retail stores sell Chinese products.

In addition, Canada signed a bilateral investment treaty with China to encourage Chinese companies to come to Canada. As Canadians, our investment funds and pension funds invest in Canadian companies that import Chinese products and in Chinese companies that set up shop in Canada. Although the people running the investment and pension funds are, in most cases, well-intentioned people who want to invest in companies that do business in a sustainable and socially responsible way, they don't have the tools to know whether that is actually the case.

Some countries have solved that problem by passing legislation requiring businesses operating within their jurisdictions to meet due diligence, or duty of vigilance, requirements. France introduced such requirements in 2017. Germany will have its own set as of January 1, and Mexico will likely be bringing in very ambitious legislative measures in the near future.

Under these duty of vigilance laws, countries require businesses to provide employee training on compliance with human rights and environmental protection standards. Companies are encouraged to identify areas in the supply chain where non-compliance is a possibility, and they are required to take the necessary steps to avoid or stop those violations. Companies that don't can face fines and other penalties, including not being allowed to bid on contracts for a given period of time.

Countries with this type of legislation also provide access to legal remedies so that the victims of these violations, usually foreign workers, can seek restitution through domestic courts. Lastly, under this legislation, companies have reporting requirements. Ideally, the information is available to the public.

Every year, companies have to compile data, show that they have taken steps to avoid doing business with non-compliant suppliers and indicate where their product inputs are from.

So far, Canada has not imposed any due diligence requirements on companies operating here. That means Canadian businesses are under no obligation to show that the products they import, which they sell or use as inputs, were made in compliance with human rights and environmental protection standards.

Of course, some companies have established their own due diligence requirements, but on their terms. Many have not, and most importantly, there is no list or database that an investment or pension fund can check to know exactly how much a company truly meets human rights and environmental protection standards throughout its supply chain. As we all know, China is home to much of those supply chains.

Last week, more than a hundred academics—myself included—signed a letter calling on the Prime Minister to make human rights and environmental due diligence mandatory for Canadian corporations. As mentioned in the letter, for over two decades, the Canadian government has merely said that it expects Canadian companies to respect human rights, but that strategy isn't working.

In short, Canada must adopt similar legislation if it wants to be at the forefront of respecting human rights and protecting the environment, if it wants to fulfill its international obligations and if it wants to meet its UN sustainable development goals. Canada has a duty to make sure that the products coming into the country were not made in conditions that violate human rights or damage the environment. It also has a duty to make sure that we aren't investing in companies guilty of these violations. Without a mandatory human rights and environmental due diligence law, our companies and importers are under no obligation to take a close look at what they are importing or show accountability. With such legislation, our investors, endowment funds and pension funds will have no choice but to do the right thing.

If Canada truly cares about making sure the goods and investments we buy here support sustainable and responsible business practices, there is no reason not to follow the lead of France, Norway, the Netherlands and Germany, all of which have adopted modern and progressive laws.

• (1945)

Thank you, Mr. Chair.

[English]

The Chair: Thank you, Dr. Dufour.

Now we'll go to Dr. Murphy for five minutes or less.

Dr. Laura Murphy (Professor, Human Rights and Contemporary Slavery, Sheffield Hallam University, As an Individual): Hello. Thank you for inviting me to speak before this committee today and for the opportunity to present alongside these esteemed colleagues, including members of the affected Uighur community.

It is now widely known that the People's Republic of China is conducting a program of repression in the Uighur region unlike anything we have ever seen in our lifetimes. The PRC's deliberate, iron-fisted governance strategy in the region operates through at least three intersecting mechanisms of control. These are internment, surveillance and forced labour.

Together, these three mechanisms are tools designed to suppress not only dissent, but also culture, religion and population demographics of the Uighur people. They function to control everyday behaviours and seek even to control the very thoughts of Uighurs and other minoritized peoples.

Internment and surveillance serve as a form of coercion that ensures that Uighurs become a docile and compliant workforce in factories across the region and, indeed, across China.

Sheffield Hallam's research, which I'm the lead author on, has been presented in six in-depth studies that have found that companies are complicit in the PRC's system of repression in that they participate in the recruitment, forced migration, indoctrination, confinement, surveillance and disciplining of Uighur people both inside and outside the factories and farms the companies operate. They are an integral, active and, even, enthusiastic part of the ongoing genocide in the Uighur region.

Recent research we conducted to identify whether companies known to be complicit in this system were being listed by index

funds found that the MSCI, one of the leading index funds in the world and an index that is used as a benchmark for most others, includes at least 13 companies that have been identified in credible media and other research reports as being involved in the internment, surveillance and forced labour in the Uighur region. Some of these companies have even been sanctioned by the U.S. government, and still they remain on these lists that determine much about where our retirement and investment dollars go.

For instance, one of those companies, China Railway Group Limited, is on several MSCI indexes and is the literal architect of the Tumxuk prison in the Uighur region. It's a place that was transformed from an ordinary prison into a de facto internment camp where people are detained simply for practising their religion, without due process or a fair trial.

ZTE, a partially state-owned telecom company is also on the MSCI indexes. It has advertised that its products have been used to "monitor the political opposition, activists and journalists" of China.

Hoshine Silicon Industry Co., a privately owned but heavily state-subsidized company that makes products for the solar and automotive industries, among others, has been involved in the transfers of hundreds of Uighur people against their will to factories and mines deep in the desert of the Uighur region. It has admittedly taken them away from their families and farms to be "transformed" into ideal worker-citizens.

These findings were the result of a simple review of index funds based on publicly available knowledge that has been widely exposed by the media. Actively invested funds also invest in stocks of a vast array of complicit companies, including the ones I just named. Asset managers would only need to do a simple Internet search for some of these companies to know the extent of their participation in these rights violations.

Many people have no idea that their pensions and investments are being used for the benefit of companies that profit from the oppression of the Uighur people. Governments should ensure that their citizens aren't unwittingly reaping the dividends of this human rights crisis.

Thank you.

• (1950)

The Chair: Thank you very much, Dr. Murphy.

Now we'll go to Mr. Tohti. You have five minutes for your opening comments, sir.

Mr. Mehmet Tohti (Executive Director, Uyghur Rights Advocacy Project): Thank you, Chair.

Thank you, members, for this opportunity.

First of all, I apologize that my voice is muffled. Yesterday I shouted too much against the Chinese embassy and the University of Ottawa.

I will be providing testimony on Canadian investments in the Uighur genocide today from the perspective of university funds. This is a reality across Canadian pension funds, university endowment funds and other organized funds, and it must be stopped.

There are enough reports that detail the complicity of Canadian federal pension funds as well as provincial pension funds in the Uighur genocide. These pension funds have directly or indirectly invested in companies that are tied up with the Uighur genocide, Uighur forced labour, construction of repressive infrastructure such as concentration camps and prisons, surveillance technology that is part of an integrated joint operational platform that is used for immediate identification and the arrest of Uighurs and others with ethno-religious profiles. Through investments in companies conducting surveillance of the Uighur diaspora, we are complicit in the transnational repression of more than 2,000 Uighur Canadians, our neighbours and friends.

Earlier this year, in March, two young undergraduate students from McGill University uncovered that \$15 million of their school's \$1.9 billion endowment fund was invested in the Uighur genocide through companies tied up in Uighur forced labour and surveillance. After we invested more time into finding matches for McGill's investment portfolio, we found that investments reached nearly \$100 million. Some of the companies McGill invests in are directly linked to labour transfer programs in the Uighur region. They include mining companies. Others are involved with surveillance technology, like Alibaba, or a technology that controls smart prisons used to detain Uighurs, like Tencent. Some are sanctioned by the United States. They are still on the sanctions list.

This is likely not an isolated event. We suspect that all or most Canadian universities' investments are similarly complicit in the Uighur genocide. We are collecting additional research to expand this.

Meanwhile, students at McGill have mobilized and are urging their school to divest from companies implicated in the Uighur genocide and to change its investment portfolio to reflect the students' interests and commitments to protect their human rights.

We must also protect our country's principles and obligations. The Canadian Parliament recognized the Uighur genocide in February 2021. Widespread Uighur forced labour is undisputed. Since that time, Canada pension plan's investments in China have only grown.

This paradox can be seen throughout our government. As we release business advisories on Canadian companies and table forced labour legislation that will, at best, prevent goods being imported from the Uighur region, even if it is successful at that, we carry on making money off of our cowardly business relationship with China and deepen our business ties, despite warnings and statements by senior government officials.

Given the gravity and scope of this issue, the ongoing Uighur genocide and lack of action by the government, forced labour and the lack of enforcement by the CBSA, China's interference in Canada, and our public funds' heavy investments in companies tied to the Uighur genocide, we've come to believe that strong legisla-

tive action is needed more than ever to reflect, at least, senior government officials' statements on this matter.

It must be a painful moral bankruptcy for each and every one of us sitting here to receive a pension at some point in our lives tainted by the genocide we once condemned unanimously.

Thank you.

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

We will now go to our first round of questioning. We'll begin with Mr. Chong for six minutes or less.

Hon. Michael Chong: Thank you, Mr. Chair, and thank you to our witnesses for appearing.

This is a very important issue. This Parliament has recognized that a genocide is taking place in Xinjiang against the Uighur and other Turkic Muslim minorities in the region, some 12 million of whom are living in an open-air 24-hour surveillance state. It's an open-air prison, I would add.

The Government of Canada has had laws on the books now for two years that have banned the import of products produced using forced labour, something that was brought in by the government to bring our statutes into compliance with the United States, Mexico, and the Canada Free Trade Agreement. Despite that, products continue to flow in.

Let's just set that aside right now. It seems incongruous that we would ban products produced by companies that are using forced labour but still allow Canadian investors and pension funds, directly or indirectly, to invest in those very companies. To me, that seems to be a bit of a loophole in current Canadian policy.

My first question is this. In the United States, the Americans have listed firms that U.S. investment firms, pension funds and others are banned from buying or selling Chinese equities. Initially, there was a list of about 30 firms. It think it's now been expanded to about 60 firms where American investors and pension funds are prohibited from buying or selling shares of these Chinese equities.

Do you think that is a model to be followed, that the Government of Canada could list equities of these firms in the People's Republic of China that are on the banned list? Would that be a way to affect the policy, or is there a better policy solution than that?

That's for all of the witnesses.

• (1955)

The Chair: Perhaps we can ask Dr. Murphy to respond if she has a response to this.

Dr. Laura Murphy: Sure. The import ban is a critical tool that the Government of Canada already has to address forced labour in the Uighur region, and it is not being enforced. You're right that this is a real problem. What's happening in Canada now is that Canada, the EU, and the U.K. have become dumping grounds for forced labour made goods made in the Uighur region, because the U.S. is sending those products back away from its borders—and as you know, Canada is the closest place those products can go.

It's critical that the import ban be enforced. Having an entities list of companies that are known to be engaged in forced labour, internment, or this kind of surveillance state, would be a useful tool. Dr. Dufour can probably talk more about the legislative aspects of it, but we need to be able to say that there are some companies that are simply beyond the pale tin being integrally involved in these programs, and they cannot be invested in.

Hon. Michael Chong: Two of them that come to mind, Mr. Chair, if I might interrupt, are Hikvision and Huawei, both of which have been listed through executive order by the U.S. government.

I'd be interested to hear from the other witnesses, what is the best way to prevent investments in firms that are complicit with the genocide, or complicit with using forced labour?

The Chair: Dr. Dufour. I believe Dr. Murphy handed it off to you, so perhaps you can respond.

Dr. Dufour, can you hear us?

[*Translation*]

Dr. Geneviève Dufour: Yes, I hear you clearly.

I think the member's comment stemmed from Ms. Murphy's answer.

[*English*]

The Chair: Mr. Chong, go ahead.

Hon. Michael Chong: Maybe Mr. Tohti would have an answer. What is the best way to prevent investments in firms complicit with the genocide, or complicit in the use of forced labour?

Mr. Mehmet Tohti: Thank you for the question.

As Professor Laura Murphy said, we are not acting. The government is not imposing the existing law, and so far CBSA has not seized a single shipment entering Canada of goods made using Uighur forced labour.

We are strengthening the Chinese regime by directly investing our public funds into the Chinese companies that profit from the genocide and the forced labour, while at the same time we are allowing those companies to raise funds through stock markets.

Also, we are purchasing those products in the Canadian market as well, so we are fully supporting China in its ongoing policy of using slave labour to produce products while at the same time committing genocide. The money we send to China does not strengthen the people; it strengthens the Chinese Communist Party and Xi Jinping. We are seeing that the Chinese government is using all sorts of violence against the peaceful protesters. That strength comes from our invested dollars. We have to use a legislative approach or we have to just simply copy what the U.S. did.

• (2000)

The Chair: Thank you, Mr. Tohti.

Thank you, Mr. Chong.

For the benefit of the rest of the people asking questions, it would be useful if you directed your question to the individual you wished to hear from.

We'll now go to Mr. Oliphant for six minutes or less.

Hon. Robert Oliphant: Thank you, Mr. Chair.

I'd like to thank all the witnesses.

I'm probably going to focus a little bit on Professors Murphy and Dufour because I'm trying to sort out in my head a spectrum of activity. First of all, I don't think there's going to be any disagreement around this table that we have a problem in our world with the integrity of supply chain and the contribution of commerce and trade to internment, forced labour and surveillance of Uighurs, as well as other people.

I'm trying to understand the best approach out of that. There's a spectrum, from disclosure—and I did a bill on pension fund disclosure in 2009—through to due diligence, through to the French model of the duty of vigilance. I'm trying to understand that, because even though you mentioned the Netherlands and another country, I believe France is the only country that has actually instituted that concept of duty of vigilance and I've also read reports that it may not be effective.

Perhaps the two of you could comment on a range of options we could recommend as well as the effectiveness and the practicality of enforcing each one.

Thank you.

Professor Murphy can go first and perhaps Professor Dufour after that.

Dr. Laura Murphy: Thank you for that.

I keep deferring to Professor Dufour because her point was about the duty of vigilance, so I'll leave that piece to her.

I'll say that there have to be layered approaches to this. I think you're right that there is a spectrum, of course, but there are also multiple different angles from which you can address this. On the one hand, you might directly, as we were talking about, have a ban on investments in particular companies, but there also must be mandatory human rights due diligence for all companies operating in Canada to investigate their supply chain—to know it all the way down to their raw materials.

At this time, that is not mandatory; that is a voluntary protocol that a company can choose to follow, and the vast majority of companies do not choose to do that. In fact, they intentionally don't want to know what's happening at the roots—at the most upstream parts of their supply chains—because we know that's where the most abuse and exploitation happen.

I think we need a full mandatory human rights due diligence policy that includes transparency, traceability and accountability for companies that do not do this. This is another problem with a lot of international anti-slavery or forced-labour laws—there's no accountability if a company does not do what they're supposed to do. There's no enforcement and there's no penalty for doing it. Those penalties also need to be sufficient to deter companies from just ignoring the law and paying the fine as a cost of business.

I think those pieces are the critical ones, but I'll leave it to Professor Dufour to talk more about the duty of vigilance law internationally, which I don't know as much about.

• (2005)

[Translation]

Dr. Geneviève Dufour: Thank you.

You're right. Until recently, France had set the bar as far as duty of vigilance legislation was concerned. It was the first country to enact this type of legislation regardless of sector, so it captured all sectors. However, the law applies only to companies of a certain size that operate transnationally. Since then, other countries have enacted duty of vigilance laws, including Norway and the Netherlands. Germany's duty of vigilance law, which I consider to be the most progressive of any country's legislation, will come into effect a month from now, on January 1 of next year.

It will apply to a significant number of businesses and capture numerous types of human rights, including the gamut of basic labour rights. Companies will be required to pay workers decent wages and to adhere to environmental standards. The law will also address the excessive use of security officers by certain companies and industries. In addition to a broad range of measures to ensure good working conditions for employees, the law contains environmental, anticorruption and other standards.

It's quite the law because it imposes pretty extensive due diligence requirements on companies. Not only will companies that break the law face penalties, but so will company directors and any employees who were aware of the violation.

[English]

Hon. Robert Oliphant: May I interrupt?

Does the French law, or perhaps the Norwegian or Dutch law, apply equally to investors—such as institutional investors or investment bodies—and the people making and selling things, or companies that are engaged? There's a different approach to that, I think. I thought the French law only applied to actual enterprises with 5,000 employees in France or 10,000 employees worldwide, which is different from an investment fund.

The Chair: Give us a very brief answer, please, Dr. Dufour. Thank you.

[Translation]

Dr. Geneviève Dufour: I think Germany's law goes a lot farther. The law will capture an increasing number of companies on a gradual basis. Initially, it will apply solely to large companies, but will eventually capture almost all companies. Those changes will come into effect according to an established schedule.

[English]

The Chair: Thank you very much.

Next, we have Mr. Bergeron for six minutes or less.

[Translation]

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

Thank you to the witnesses for their insights, which are giving us a lot to think about.

Professor Dufour, as I listen to you, I get the sense that Canada is light years behind those who are leading the way. As you no doubt know, Bill S-211 is at committee stage, and is close to being passed. Yesterday, those of us on the Standing Committee on Foreign Affairs and International Development met for clause-by-clause consideration of the bill.

In our public meetings, we heard from a number of witnesses that the bill didn't go far enough because all it did was require companies to report practices that could involve the use of forced labour, nothing more. It's clear from the efforts being made around the world that, basically, all we are doing if we pass the bill is making ourselves feel better.

What do you think?

Dr. Geneviève Dufour: Thank you for your question.

Well, I would say that California did this in 2010, and it's almost 2023. You're right, we are behind. There's no doubt that, in the early 2010s, it was innovative to say that you were finally going to force corporations to respect environmental standards and human rights. That's when the idea started to take hold. Measures captured only forced labour or applied solely to certain sectors, such as mining in some countries. A U.S. law concerning operations in the Congo comes to mind.

People realized that the laws weren't effective, either because they were sector-specific or because they captured only part of the problem, forced labour in this case. We need companies to do this work in a holistic way. They are on the front lines and have the ability to ensure better compliance with human rights and environmental standards. They are the ones buying, importing and selling the products, so they have to play ball.

You are absolutely right. We are light years behind where we should be at this stage of the game. That's why we feel the bill isn't ambitious enough.

• (2010)

Mr. Stéphane Bergeron: Thank you.

Dr. Geneviève Dufour: It lacks teeth, on top of it.

Mr. Stéphane Bergeron: I completely agree.

We can't ignore what we're hearing today and what a number of witnesses have recently reported. For instance, Hong Kong Watch and Sheffield Hallam University released a report indicating that a number of institutional investors, particularly public pension funds, have investments in the People's Republic of China, thereby supporting companies that use forced labour and subject workers to wholly unfit conditions. It's becoming clear that companies aren't the only ones to blame for supporting forced labour and the Uighur genocide; even public pension funds are involved.

I'd like to say to our Uighur friends that not only do those investment and pension funds contribute to the genocide and forced labour, but also, those funds may be at significant risk, simply from an investor's point of view—as a Quebecer or Canadian. It's a ticking time bomb of sorts.

As I understand it, investment and pension funds in some Scandinavian countries had investments in Ukraine, and in the wake of the sanctions imposed by the west, Russia froze those investments. The people paying into those funds are losing money.

Isn't there a risk that, if China invaded Taiwan, it would do the same? Investors in Quebec and Canada could lose their investments.

[English]

Mr. Mehmet Tohti: Thank you for that question. It is an excellent and eye-opening question and I hope that the Canada pension plan and other provincial plans, including the Quebec pension plan, will listen to this question.

Yes, you are absolutely right. The Quebec pension plan has investments of around \$2 billion to \$3 billion in Chinese companies associated with either the genocide directly or forced labour, and there is a list of companies the Quebec pension plan invested in, and we know which company they invested in and we know what those companies are doing.

It's exactly the same at McGill. McGill University invested nearly \$100 million and we identified seven companies directly associated with the Uighur genocide. Some companies helped to build surveillance technology for the Chinese government and some are part of the integral joint operational platform. Some companies are part of birth prevention measures that the Chinese government implemented on Uighurs, and for that reason it is alarming.

We met with the Canada pension plan board and they basically defended their position by saying that they did not invest in China or a country, but rather that they invested in companies. The problem is that those companies are under the direct control of the Chinese Communist Party. They are receptive to every demand of the Chinese government. For that reason, there isn't any difference.

We sent letters to the pension boards, the federal and provincial pension boards. They are not receptive. They are not responsive, and there's a strong need for the Parliament of Canada to do some-

thing to address this issue. Otherwise if there is any madness—and I can simply expect that to happen—if any madness happens from Xi Jinping, if they just press the button to invade Taiwan, all investments will be wiped out. We are talking about nearly \$100 million.

• (2015)

The Chair: Mr. Tohti, I'm sorry, but I have to interrupt you, sir.

Mr. Bergeron's time has come and gone, and then some.

Now it is time to welcome Mr. Boulerice to our committee this evening.

Sir, you have six minutes or less.

[Translation]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you, Mr. Chair.

I'm very happy to be here today.

This is a very important issue that deserves our full attention. I want to thank the witnesses for being with us and shedding light on the matter.

I want to come back to Bill S-211. According to some critics, the bill doesn't go far enough to address forced labour. We can all agree that Canada is a laggard in this area.

Nevertheless, doesn't the bill have some merit, since it will force companies to show some transparency and report information?

I would like to hear from Ms. Dufour and Ms. Murphy on that.

Dr. Geneviève Dufour: Yes, of course. I am not against virtue.

The bill is a first step, but as has been pointed out, Canada is extremely behind, and it's not clear why. Why didn't we introduce a bill that was much more ambitious, one that tackles the problem on a broader level, one that would've put us above the rest? We call ourselves a progressive country, a country that wants to meet its sustainable development goals, a contrary that cares about protecting the environment, so why is this all we did?

This isn't the only aspect where we are lagging behind, by the way. Other countries are adopting tools to promote human rights, such as government contracting and responsible procurement mechanisms.

We are way, way behind, and there's no reason for it.

Mr. Alexandre Boulerice: Thank you.

Would you like to respond, Ms. Murphy?

[English]

Dr. Laura Murphy: I think what we found with a lot of legislation around the world that requires companies to report on their actions in regard to forced labour and/or other human rights violations is that these reporting mechanisms do not do enough to impel action, and that's where we really need to be focusing our efforts on.

Asking companies to tell us about what they're doing without saying, "We will act on what you've done" and without having an enforcement mechanism does not go far enough. It just doesn't.

[Translation]

Mr. Alexandre Boulerice: All right.

Thank you, Ms. Murphy.

Professor Dufour, I don't want to put words in your mouth, but I'd like to talk about how far behind Canada is when it comes to respecting human rights internationally.

I would point to the fact that 75% of the world's mining companies are registered in Canada. There may be a link here, so that's something to explore as well.

Nevertheless, you talked about Germany having what is probably the most progressive law in this area. You mentioned some of the things it covers—human rights, labour rights, environmental protection and so forth—really good stuff.

I'd like to hear your thoughts on what the federal government could take from Germany's law to strengthen what it's doing. The other witnesses can answer as well.

Dr. Geneviève Dufour: Thank you.

You are right, we have a lot of mining companies. Having said that, we have to remember that one thing has been put in place in Canada and that is the office of the ombudsman. This office can receive complaints about the mining industry and other areas, such as the textile industry. So Canada has opened the door, and it prides itself on having mining companies that are more respectful of human rights and the environment than other countries. We have to live up to that.

How could we learn from the German law? Canada can learn a lot from it, because the German law would be easily applicable here. The Germans have simply adopted international standards to which Canada has adhered. They have not reinvented the wheel. I mentioned this in my presentation. They have put in place fairly simple obligations, such as the establishment of a risk management system, risk analysis, the submission of a statement of principles, and the preparation of reports that must be submitted. In addition, they have provided for a whole process of controls and sanctions. Furthermore, a federal office verifies the reports annually, visits the establishments, has the power to investigate and can even order measures under penalty. They have also introduced fines of up to 8 million euros. It's not \$250,000, it's €8 million. That can hurt, not to mention there are other kinds of penalties.

I think Canada can truly take inspiration from this if they want things to change. Canada can also proceed in a progressive way, with companies that have a certain size, a certain turnover, transnational assets. Canada could learn from this.

In addition, it could certainly participate in the UN's work on the issue. Canada has never shown up there since 2014, while China participates in the meetings. Canada, on the other hand, does not go.

● (2020)

Mr. Alexandre Boulerice: Those who are absent have no voice in the decision-making.

Ms. Murphy, do you have any comments on the German model?

[English]

Dr. Laura Murphy: I'd just add that there are other pieces of legislation that I think the Canadian government could benefit from on this subject. One is the disclosure of customs records, so that people can actually see what is coming into Canada and know what imports are making it to the shelves. This has been a important tool for advocacy groups and for researchers to understand what it is we're buying and what it is we're investing in.

It also will help—

The Chair: Thank you very much. I'm sorry—

Dr. Laura Murphy: That's fine. I understand.

The Chair: I'm sorry, Dr. Murphy. We're out of time for Mr. Boulerice.

We will now welcome back to the committee Mr. Genuis, for five minutes or less.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you, Mr. Chair.

Mr. Tohti, I didn't want to miss the opportunity while you're here to ask for your reflections on what seemed to be some very exciting developments inside of China.

We're seeing—unprecedented in decades—protesters in various cities across China standing up and speaking out against injustices, some of whom are directly calling for an end to President Xi's regime. Really, these events have been sparked by events in Ürümqi.

Are we seeing common cause being made between Uighurs and their Chinese neighbours? What are your reflections on the significance and impact of these protests for China in general and for Uighurs in particular?

Mr. Mehmet Tohti: Thank you for this question.

Yes, unfortunately, the deaths of 44 Uighurs—not 10—sparked a whole range of anger and uprising, I can say, in the whole of China. In more than 101 cities and 50 universities, people participated and people took to the streets. Some of them openly said, "*jiefang Xinjiang*"—"Liberate Xinjiang"—or "Open up Xinjiang" and that kind of slogan to support the Uighur people.

The anger here is mostly motivated by Xi Jinping's lockdown of more than 100 days without giving any access to basic necessities or to food and medical supplies. In this perspective, Uighurs and Han Chinese share the same suffering and, for that reason, it became a point for motivation.

Also, this tragic incident helped to connect a certain level of solidarity, which we can see inside China and outside China, and we are participating. The Chinese people led memorials across the cities. For that reason, in my opinion, that understanding is very important and should continue.

The Chinese people not only decided on their anger, their reaction, about the COVID lockdown, but at the same time directed their anger directly at Chinese president Xi Jinping and the Communist Party. The most common slogans are “*Gongsun dung shate*” and “*Si jing ping shate*”, which means “Down with Xi Jinping” and “Down with the Communist Party”. I think that is important.

Mr. Garnett Genuis: Thank you for sharing your perspective on that. I think this is very significant and inspiring. I want to share with you my strong support for the people who are protesting and for their calls for freedom, for justice and for protection of their fundamental human rights. Obviously, a tragic incident sparked this. I think it is quite significant that we see how the deaths of Uighurs have sparked this protest movement, which includes people all across China. It's very significant.

I want to ask about having a more coordinated approach among like-minded allies when it comes both to preventing the importation of products made from forced labour and to trying to prevent investment in companies that are involved in forced labour.

Professor Murphy made the point that products are likely to end up in the countries that have the weakest laws. Maybe the same is true for investment, and that we see investment from countries with the weakest laws. With that in mind, wouldn't it make sense for a group of like-minded countries to get together and say that we're going to have the same rules in place, that we're going to have a coordinated approach and we're going to have the same standards?

Wouldn't that actually make it a lot easier for enforcement as well as a lot easier for businesses? They would be able to apply one standard across all the countries they operate in, and no country would be providing a safe haven. Does that coordinated approach make sense? Why hasn't it happened?

Professor Murphy, maybe we'll start with you. I have very little time, but we'll try to get in as many people as we can.

• (2025)

Dr. Laura Murphy: Sure.

I've been hearing a call for a multilateral approach from American government officials for two years, now. I don't know what it is that stops other countries from doing it, except that they're anxious about their relationship with China—their trade relationship, in particular. I hear many countries saying, “We are a small country, relative to China. Therefore, we can't poke the bear.”

Since the U.S. has led on this, I think it's possible to follow their momentum. However, when we think about multilateral strategy, we should also think about the way small and medium enterprises

can do the same by following the lead of big enterprises. I don't think we need to say that only large investment firms or companies should be held to the standard of good human rights due diligence.

We know small companies are purchasing directly from Xinjiang. We know small investment firms have their money in those companies. What we need is to see a situation where these larger contenders take that step and do the work and due diligence, and stand up and support the smaller businesses and, if we want to call them “smaller countries”....

I don't like that idea. Countries are countries, and they all have a standing in the UN and other international bodies...to stand up against these kinds of human rights violations. Canada needs to do that, too.

The Chair: Thank you, Mr. Genuis. I'm sorry, but you are out of time.

We will now go to Mr. Fragiskatos for five minutes or less.

[*Translation*]

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

Professor Dufour, your commentary on the German law was very interesting, and my question is about the administration of such a law.

Is the administration of this law very difficult, yes or no?

Dr. Geneviève Dufour: It is difficult to answer your question, because the German law will come into force on January 1 next year. However, if I look at the French law, which has been in force since 2017, I can say that it is difficult to implement such laws and that the majority of companies do not manage, for the time being, to implement the law properly.

Some organizations have made studies, analyses and proposals, and France is in the process of revising certain ways of doing things. It is difficult. These are certainly challenges that companies and administrations must meet. That's all I can say for now.

Mr. Peter Fragiskatos: Why are these challenges, in France or in other countries?

Dr. Geneviève Dufour: It's obvious that it's difficult for companies to truly track throughout their supply chain. For this reason, it is mainly companies of a certain size that are required to do this. This means carrying out audits and collecting a lot of information about suppliers. After all, it is the entire supply chain that is targeted, even when it is located abroad.

In addition, we realize that companies are very poorly equipped to carry out this kind of monitoring. As we know, a single device can be made of parts from several countries and different companies.

Sometimes a subcontract is given to one company, and that company will itself give the contract to another company. So it's quite difficult to follow up realistically, but the fact remains that you have to start somewhere. To do this, clear, precise and ambitious normative frameworks need to be put in place.

• (2030)

Mr. Peter Fragiskatos: My next question is a general one, but I think it is very important.

What key recommendation would you make to the committee?

Dr. Geneviève Dufour: We need to make sure that for its companies, Canada has very strong human rights and environmental frameworks throughout the supply chain.

We have talked about funds investing abroad, but there is also investment in Canadian companies that are directly or indirectly involved in human rights and environmental abuses that occur abroad.

There is therefore a strong need for Canada to adopt a very broad corporate duty of care law.

Mr. Peter Fragiskatos: Thank you once again.

[English]

Mr. Chair, this is my last question for Professor Murphy.

Do you think, Professor, that there are ways for Canada to collaborate with middle powers through international forums to achieve precisely some of the outcomes that all of you have been calling for tonight? On its own, I'm not sure that, even if Canada put in the most robust kind of law, it would have much effect, to be frank. In collaboration with other countries, perhaps it is possible to have an effect.

I'm thinking in terms of efficacy. My question before referred to challenges in administration. I don't mean to throw cold water on the ideas; I think there are immense challenges in putting such measures in place to begin with. Maybe it's worth exploring the issue from another avenue, and that is to what extent we can collaborate with other countries so that uniformity in terms of a legal approach is achieved. What do you think?

Dr. Laura Murphy: I think that kind of multilateral approach is critical. As I said before, the countries that do not have this kind of legislation are going to have the companies that are the dumping grounds for the products made through human rights violations. By not tracing our supply chains entirely, all the way to the raw materials, we make it possible for governments like the Chinese government, authoritarian governments, to hold our supply chains captive.

What that leads to is a lack of competitiveness in the market. It leads to an inability to extract ourselves when there are crises and when there are other kinds of supply chain crises as well. This universal standard of holding companies accountable for knowing where their goods come from addresses a lot of problems that go to food security and national security. These are all things we need to be thinking about.

I think this needs to be a standard with allied nations.

Mr. Peter Fragiskatos: Thank you very much.

The Chair: Thank you, Dr. Murphy and Mr. Fragiskatos.

We'll now go to Mr. Bergeron for two and a half minutes.

[Translation]

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

Mr. Tohti, when we were interrupted a few minutes ago, you were about to tell us what the repercussions would be for Canadian and Quebec savers in the event of an invasion of Taiwan.

I'll give you the opportunity to continue your answer.

[English]

Mr. Mehmet Tohti: There are many witnesses who have already testified in this room. All of them agreed that Xi Jinping is unpredictable and that there's uncertainty in China right now. There are a lot of military activities going on in the Taiwan Strait for a reason. Also, if you look carefully at the closing remarks of the Chinese president Xi Jinping at the recent 2022 Communist Party congress, they were totally different, drastically different, from his traditional comments on China. All of the previous presidents said that the peaceful unification of the motherland with Taiwan was the goal, but this time, the Chinese president said that all options were on the table. That was in his closing speech. That tells you something.

The Chinese president twice ordered the Chinese military to make full preparations for war. That is for a reason, and we have to take those threats or messages seriously.

If that thing were to happen, what's going to happen to our investments? Do we have any idea of the hundreds of billions of dollars of investments in China by the Canada pension plan, provincial pension plans, university endowments and community investments? They are going to be wiped out if the Chinese government blocks the exit of these funds or, because of sanctions, share prices drop, as was the case in Russia? Our invested funds were just wiped out there.

There is great danger, and because of that geopolitical risk, the huge risk, our pension funds should take action and withdraw their investments from China.

• (2035)

The Chair: Thank you, Mr. Bergeron.

We'll now go to Mr. Boulerice for two and a half minutes.

[Translation]

Mr. Alexandre Boulerice: Thank you, Mr. Chair.

As democrats and human rights advocates, we are here to defend the rights of all people, whether they are Ukrainians, Uyghurs, Tibetans, or people in Hong Kong, but also the Palestinians, who are also under military occupation. Sometimes we would like to know if products are made in illegal Israeli settlements condemned by UN resolutions.

Ms. Murphy, how do we find out which products were made in Xinjiang province, possibly in forced labour camps, when we already have difficulty finding out which products were made in illegal Israeli settlements?

[English]

Dr. Laura Murphy: The work I do every day is to trace supply chains back to the Uighur region. We start with companies in the Uighur region and we see whom they say they're selling to and we are able to see full supply chains that reach from the Uighur region out to the U.S., Canada, the U.K. and EU. We often just use simple searches of the corporate records of companies operating in the Uighur region, where they announce clearly, both in their annual reports and in their PR releases and their social media, the big contracts they have won with international corporations or Chinese corporations operating internationally.

We then trace those companies to whom they're selling, through customs records that are available for 19 countries, though not available for Canada—and that's significant.

We're able to do it from our desks on the Internet with a paid subscription for a program that costs \$7,000. That's it.

I think that not only can governments do it, but companies can and must do it and we need to stop making excuses for it. I do it every day.

[Translation]

Mr. Alexandre Boulrice: I would like to ask another question very quickly, if I am allowed.

Shouldn't our investment funds and our public or private pension schemes be a little more careful?

[English]

Dr. Laura Murphy: Absolutely.

Pension funds and investment funds can start by just looking at their investments and comparing them against lists that are publicly available. Jewish World Watch has a list of all companies that have been named in any report. Some of those companies will be famous international brands that are way down the supply chain, but the Jewish World Watch database shows you where in the supply chain they are and what their connection is to the Uighur region.

Investment funds, both active and passive, should be comparing their investments against those lists. If it's going to take people who have those pensions doing that work for them and calling them to account, we're all here saying that we're doing it and it's time that the government says that the [Technical difficulty—Editor].

The Chair: Ms. Murphy, I'm sorry. Your connection froze there for a second, but we are out of time.

It is time to release you at what must be after 2:30 in the morning your time. We very much appreciate your presence here, as we do with Dr. Dufour.

Mr. Tohti and Mr. Masimov, thank you both for being here.

We will now pause while we get our third and final panel ready to go.

• (2040)

(Pause)

• (2044)

The Chair: Welcome back, everybody.

It's time now for our third panel.

I'd like to welcome the witnesses who are joining us by video conference today.

We have, as an individual, Sam Goodman, author, director of policy and advocacy, Hong Kong Watch, and co-founder and co-chair of New Diplomacy UK; and from Hong Kong Watch, Aileen Calverley, co-founder and trustee.

Mr. Goodman, you'll have five minutes for your opening statement.

• (2045)

Mr. Sam Goodman (Author, Director of Policy and Advocacy, Hong Kong Watch and Co-Founder and Co-Chair, New Diplomacy UK, As an Individual): Thank you.

I would like to thank members of this committee for inviting me here to give evidence today.

[Translation]

Mr. Stéphane Bergeron: I have a point of order, Mr. Chair.

[English]

The Chair: One moment, please.

[Translation]

Mr. Stéphane Bergeron: I just want to make sure that the sound tests have indeed been successfully completed.

[English]

The Chair: Yes, it was all tested.

[Translation]

Mr. Stéphane Bergeron: Thank you.

[English]

The Chair: Very good.

I'm sorry, Mr. Goodman. You may start again.

Thank you.

Mr. Sam Goodman: Thank you.

I would like to thank members of this committee for inviting me here to give evidence today. I sincerely hope that this inquiry can be part of the more honest conversation about the very real risks for ordinary Canadians of their pension funds being invested in Chinese stocks and government bonds. These risks are far too often ignored in the pursuit of short-term gains for too many fund managers distracted by the allure of China's financial markets and a myth that China is too much of an economic opportunity to ignore.

The research that Hong Kong Watch has undertaken over the last 18 months into Canadian pension funds has warned that some of Canada's largest publicly controlled pension funds may have exposure to Chinese companies that are involved in human rights violations in the Xinjiang region. A year ago, we found that the Canada Pension Plan Investment Board and provincial pension funds, like CDPQ in Quebec and BCI in British Columbia, had direct holdings in Chinese technology companies blacklisted by the U.S. for their links to internment camps in Xinjiang and other large technology companies complicit in oppression in China, including Alibaba and Tencent.

I am happy to say that many of these funds have divested most of these direct holdings, but some remain passively exposed to index tracking funds such as MSCI China and MSCI Emerging Markets, which hold 12 and 13 companies, respectively, that are linked to Uighur forced labour.

In the case of the CPPIB, its most recent holdings, published on March 31, 2022, confirmed that it has \$6.4 billion exposed to MSCI China and \$7.7 billion exposed to MSCI Emerging Markets. Meanwhile, the Royal Bank of Canada, through its partnership with BlackRock, is offering pension fund products directly to the Canadian public which track the MSCI Emerging Markets index. Sadly, the current information these funds provide publicly is far too opaque for the ordinary lawmaker, let alone the ordinary Canadian citizen, to have a proper understanding of their pension fund's exposure to China.

Most of the provincial and federal pension funds I've looked at do not publish a regular and up-to-date list of their full holdings. In some cases, the holdings listed are out of date by a year.

The other issue regularly encountered includes pension funds outsourcing their fund management to private fund managers of private equity firms, which, in effect, outsource human rights and governments' due diligence to third parties.

It may not be sexy, but there is an urgent need to require Canadian pension funds to regularly publish their full holdings publicly, the holdings of their private funds managers and their passive exposure index funds like NSCI.

More broadly, I believe investing in China is increasingly incompatible with upholding environmental, social and governance criteria, which all major pension funds in Canada claim to do. Over the past few years, rising investment in Chinese stocks and bonds has coincided with the boom in ESG investing. According to Bloomberg, ESG assets passed \$35 trillion in 2020, to become a third of total global assets under management, yet many have now concluded that investing in Chinese stocks and bonds is incompati-

ble with ESG, including leading figures in the investment community like George Soros and Baroness Helena Kennedy.

Taking the "E" in ESG, climate activists have long argued that investment in Chinese state companies, like Sinopec, which stand accused in some cases of producing higher levels of carbon emissions than some entire developed countries, can hardly be considered beneficial to the environment.

When it comes to the "S" in ESG, human rights groups like Hong Kong Watch have warned investors about the rising social risks of investing in Chinese companies linked to forced labour when larger technology companies, like Alibaba and Tencent, are working hand in glove with the Chinese state to surveil the populace and censor the Internet.

Looking at the "G" in ESG, Xi Jinping's crackdown last year on the technology and education sector, and Putin's war in Ukraine have raised legitimate governance risks in a country that has no separation between private enterprise and the state. One man can wipe out whole industries at the flick of a pen.

The purging of reformers from the central committee at the recent party congress and the doubling down on zero-COVID policies only increase governance risks of investing in China, and have led to the mass protests we are currently witnessing across China. I believe it is well past time that law-makers consider sensible regulations to define ESG, to label China as an ESG risk and to introduce a blacklist like the U.S.A.'s to restrict investment in Chinese firms with questionable human rights, environmental and governance credentials.

● (2050)

Finally, I urge the committee to invite pension funds to give evidence and explain why they are so happy to operate under a smoke-screen that deprives the Canadian people of the opportunity to fully understand where their pensions are being invested and the real risks involved.

Thank you.

The Chair: Thank you, Mr. Goodman.

Before we get to questions, I will ask you to move your microphone boom up to just halfway between your upper lip and your nose. That would be just perfect. Thank you.

We'll now go to Ms. Calverley for her opening statement of five minutes or less.

Ms. Aileen Calverley (Co-Founder and Trustee, Hong Kong Watch): Thanks to the committee for giving me this opportunity to talk about Canada's pension fund investment in Chinese equity.

I want to raise a wider issue for Canada's pension funds and other institutional investors. By holding Chinese stocks of any kind, investors are taking on China's country risk. China has become a big part of the international indices. At the end of October, the MSCI Global Emerging Markets index was about 27% in Chinese stocks. Canadian pension funds invest directly in Chinese stocks, not just in passive index funds. Up until March of this year, CPPIB held 189 Chinese stocks.

Chinese stocks have in fact performed very badly in recent years because of all the problems in the economy. China's country risk has also become increasingly political. Many international investors are worried about geopolitical risks, especially after what happened when Russia invaded Ukraine. In February, international investors found their holdings in Russian stocks frozen due to international sanctions and Russian actions. Russia does not allow foreigners to buy or sell stocks or to exchange rubles for dollars, so investments in Russia are frozen. Many investors have realized big losses. BlackRock alone lost \$17 billion of its investors' money.

Another example is an MSCI Russia Fund that is traded in the U.S., which invests only in Russian stocks. It is currently being liquidated, having lost 99.8% of its value this year. What if that were to happen with Chinese stocks?

Relations between the U.S. and China have become more difficult in the last few years, with several potential flashpoints. Taiwan is the biggest one, but there are several other disputed territories in the Indo-Pacific region that could trigger a conflict between the U.S. and China. If a confrontation occurs, there are various scenarios ranging from limited sanctions being placed on China to actual war between the U.S. and China. In any of these scenarios, Canadian investments in China could be at risk. The U.S. defence chiefs have warned that China could invade Taiwan in coming years. There is speculation that Xi Jinping wants the so-called recovery of Taiwan to be part of his legacy.

If China were to attempt an invasion of Taiwan, there is a strong chance that the U.S. could respond. President Biden has said that America would act, but for sure we would see sanctions. Such sanctions could see retaliation by China against foreign investors.

Many people believe that China would not risk such an attack—at least not for some years—but China may have other options to put pressure on Taiwan, such as a trade blockade. A recent report by the U.S. State Department has warned that a China blockade of Taiwan could spark \$2.5 trillion in annual economic losses for the global economy. To put this into perspective, this would be larger than the global economic loss in the 2008 financial crisis, which cost the economy \$2 trillion.

Again, Western sanctions would be a real possibility if this was tried, with the potential for Chinese action against foreign investors, which would damage Canadian pension funds.

Another potential trigger for Western sanctions could be if China clamps down on dissent in the country. This week there have been protests in China over the COVID lockdowns. If these escalate fur-

ther or another issue arises in coming months or years, a heavy-handed response—something like the Tiananmen Square massacre in 1989—could see a Western response.

It's worth bearing in mind that a conflict between the U.S. and China at any level would likely see stock markets falling everywhere, so pension fund assets would likely be down across the board, potentially threatening the payment of pensions. Canadian pension funds could face total loss on their investments in China.

This is a major potential problem for the Canadian government. Imposing sanctions could force losses on government pension funds.

I have two recommendations.

The first is on country risk analysis. We need to know more about the size of pension fund investments in China, how they are monitored and managed, and whether investment managers fully understand the risks they are taking. Is there any regulation on disclosure? A country risk analysis should be included in the Indo-Pacific strategy.

Secondly, publicly controlled pension funds should be encouraged to avoid exposure in China.

• (2055)

In terms of fund tracking, there are several funds covering emerging markets in Asia, excluding China, so there is no need to hold Chinese stocks to get more emerging market exposure.

In conclusion, I would urge the committee to recognize the increasing country risk associated with investments in China and plan accordingly.

Thank you.

The Chair: Thank you, Ms. Calverley, I appreciate the input.

We will now go to our first round of question with Ms. Dancho, for six minutes or less.

Ms. Raquel Dancho: Thank you, Mr. Chair, and thank you to the witnesses for being here. I greatly appreciated your opening remarks.

I want to dig in a bit to some of the things you shared with the committee. They're quite shocking for someone who perhaps doesn't understand how Canada's pension funds are invested in various industries and different countries around the world. Given what we're learning about how China treats the Uighurs—we just had a panel with a testimony on that right before you—and what it's done to Hong Kong, which you know extremely well, much better than I, including the threats, and talking about Taiwan....

Could you explain a bit in more detail to what extent are Canada's pension funds invested in Chinese companies in China? Is it all of our pension funds, or is it the vast majority of our Canadian pensions, for example? Can you elaborate a bit more?

Whoever would like to go first.

Mr. Sam Goodman: It would be a heavy weighting of pension funds that are looking at emerging markets. Often, the way the pensions are banded together.... Obviously, when you're younger—I guess I'm not that young, but kind of youngish—more of your pension will go to emerging market funds, because in theory you'll get a higher return, but there's also a higher risk. Obviously, that should be phased-out as you get closer to retirement age.

The problem that Ms. Calverley summarized very well is that many of the emerging market funds are heavily weighted to China to a point where some of these funds might have a third of their stocks in China, in government bonds and equities, and that's just too high of a risk, really. It does vary from pension fund to pension fund.

Again, it goes to the point that I was trying to make. I don't think that a lot of these pension funds are being honest about the holdings they have in China, because they're not properly publicly disclosed.

Ms. Raquel Dancho: Thank you for that.

Ms. Calverley, you spoke specifically on how this puts our pension funds in danger. You tied it to a Chinese invasion of Taiwan and a U.S. response. That would throw everything that's been invested in China into disarray, and could threaten the stability of our pension funds. I see nodding from Mr. Goodman.

Can you confirm what I've relayed to you? Is that correct in my meaning, what you've said?

• (2100)

Ms. Aileen Calverley: Yes. The situation is actually very serious. I think talking about a war between the U.S. and China and Taiwan is the worst scenario. But I think even without that, even with a trade blockade, that would be a huge blow to the world economy and to our pension funds. A blockade would hurt the supply chains, for example, from Taiwan and China, and also the trade finance. I think a lot of the time we only talk about goods, but we forget about the finance behind the trade. When something happens like that, even the finance will stop—we can see the situation in Russia. If we're talking about outright war, that will be very serious. I would see Chinese stocks actually wiped out, the same as the situation in Russia especially.

I want to go back to your first question.

Actually, there are many pension funds in Canada. They have holdings in emerging market funds. So, 27% of emerging market

funds actually invest in China. Also, they possibly have investments in individual stocks as well.

I can give you some lists. Actually, it's a very long list. I don't want to use a lot of time. Of course, there are the Canada Pension Plan Investment Board, the Alberta Investment Management Corporation, Manitoba Civil Service Superannuation Board, the Public Sector Pension Investment Board, British Columbia Investment Management Corp., and the Investment Management Corporation of Ontario.

I think it's very important that there should be a regulation that pension funds need to have disclosure. We have done research and looked into the holdings, but a lot of them do not show up. The Canada Pension Plan Investment Board shows the plan's stock holdings, and find there are 589 Chinese stocks among them, the second-largest holding after U.S. stocks. That is striking.

Ms. Raquel Dancho: Thank you for outlining that.

Perhaps I may just interject with our remaining minute. The pension funds you mentioned are a number of provincial government pension funds and the national pension we all pay into, whether we work for the government or not—but certainly the provincial ones were the provincial government funds.

Ms. Aileen Calverley: Yes.

Ms. Raquel Dancho: The federal government recently put out its Indo-Pacific strategy, as I'm sure you are aware, and it really emphasized the importance of pursuing Canada's values in our foreign affairs in this region. From what you've shared, though, and what this committee knows very well, what's going on with China and what they're doing to their people and the like, you're saying we should restrict Canada's investment of our pensions in China.

What we're seeing in the Indo-Pacific strategy about values, and the government's wanting to pursue those values, doesn't seem to line up to your point with how we invest our government pension.

With my remaining time, I open the floor to you, Mr. Goodman, and then Ms. Calverley as well, just to comment. How can we align our strategy with where we're putting our money, I suppose?

The Chair: I'm going to have to ask both of our witnesses to maybe work some of that messaging into some of their answers to subsequent questions, because, Ms. Dancho, you are out of time.

We'd like to go to Ms. Yip now for six minutes or less.

Ms. Jean Yip: I'd like to hear the answer to Ms. Dancho's comments.

Mr. Sam Goodman: I would start by saying that these pension funds actually should already be investing, really, on the basis of Canadian values. That was the whole point behind the ESG criteria—upholding the climate, upholding human rights and social values, upholding good governance and the rule of law. The reality is that they're not doing that, because ESG just isn't properly regulated. I think lots of the pension fund managers don't take it seriously. They consider it just to be a vehicle to make more money. That is why, ultimately, I think you need proper legislation and regulation that defines clearly what the ESG criteria are, and hold these Canadian pension funds to task when it comes to some of the investments that don't meet those criteria, particularly in China.

Ms. Aileen Calverley: I think it must be very shocking. Often we hear that in the supply chain there's cotton made by Uighurs and they're in concentration camps. We never look into our pensions.

I think politicians on this committee work very hard to defend our values, defend Canada's values and also defend human rights. Investors, especially fund managers, are very busy investing in China. They don't need to go there. They just need to buy the stocks. They just buy the bonds.

Canada pension plan investments are huge. This is really related to our pensions. When we open the list of its stock holdings, there are 189 Chinese stocks. It's the second-largest holding after U.S. stocks, so that is quite striking.

Of course, when we talk about ESG, we single out quite a long list of companies that violate human rights. Canada's pension fund should not invest in these companies. Then, when we look into the Indo-Pacific strategy, we need to be prepared. We need to have a contingency plan. When something happens in Taiwan, not even a war, just a blockade, or this spills into the South China Sea, or even because of the crackdown on protests in China and pro-democracy, like-minded countries put sanctions on China, then what happens to Chinese stocks and Chinese bonds? Definitely they will collapse. Then we will see our pension fund lose value.

I think this is the area where the committee needs to push the government. It needs to have a proper country analysis. The government needs to work on that. What's the risk with some kind of confrontation in the Indo-Pacific region? Will that affect our pensions? Also, what sort of relationship should we have under this special risk?

Two or three years ago, nobody would think about that. At that time, it was quite fashionable to invest in China. Two or three years ago, the return was one of the highest. Then, when you look at the average return on Chinese stocks for the last two decades, it's almost zero, because it collapsed so much in the last year. The Chinese market is not the best place to put our investments.

• (2105)

Ms. Jean Yip: How can ordinary investors, just regular Canadians, keep track of which companies are problematic?

Mr. Sam Goodman: I think this is where a blacklist would come into play, as some of the earlier witnesses mentioned. I think, to be honest, it's not a negative concept. Some of the investors we speak to think a blacklist would be very helpful for them. It would be a road map of the companies to avoid. I think there's a general, larger

problem when it comes to ESG in China that, in all conscience, you probably can't invest in most Chinese stocks without there being some level of risk.

Of course, there are going to be private investors who are happy to wear that risk and go in with their eyes open, which is fine, but I think the issue we're talking about today is gambling with other people's money, gambling with Canadian pensioners' money. At that point, the aversion to risk should be quite high.

Ms. Aileen Calverley: I think that ESG investment is quite fashionable right now. We can, in fact, buy ESG funds. The problem is that they focus on E only. When you buy ESG funds, usually they're environmentally friendly, so you don't get this oil company or any company that creates pollution back into the environment, or you don't have a black coal company. I don't really see many ESG funds looking at the S and G.

If there's some kind of encouragement to fund managers so they could possibly come up with more ESG funds and focus on the S in the fund, they would have a list of companies that they would not invest in, like they do not invest in tobacco companies or oil companies.

• (2110)

The Chair: All right, Ms. Calverley, thank you for that.

Ms. Yip, you are out of time.

We will now turn to Mr. Bergeron for six minutes or less.

[*Translation*]

Mr. Stéphane Bergeron: Thank you, Mr. Chair. I also thank the witnesses.

Mr. Goodman, I'd like to come back to the concept of blacklisting. Some of the witnesses on the previous panel were telling us that pension funds and investment funds claimed that they were not investing in the Chinese government, but rather in Chinese companies. According to these witnesses, this is a completely spurious argument, as Chinese companies are owned by the government and must respond to its directives.

Would it be simpler to state on this blacklist that you should not invest in any Chinese company?

[*English*]

Mr. Sam Goodman: I think it would certainly be simpler, although there might be an argument that for some sectors of the Chinese economy, investments would be low risk, such as perhaps investing in a food company or in real estate.

I certainly take the point that when it comes to other sectors, such as agriculture, technology, or the fashion industry, they're so exposed to forced labour. There's no distinction, as you've pointed out, between private companies and the government. Therefore, I certainly think that you probably wouldn't or shouldn't countenance investing in Chinese companies in those sectors of the economy.

[Translation]

Mr. Stéphane Bergeron: In the November 2022 report “Passively Funding Crimes Against Humanity: How Your Savings May Be Financing Internment Camps and Forced Labor in China,” which you co-authored, you comment on the Uyghur Forced Labor Prevention Act, which prohibits the importation into the United States of products mined or manufactured in the Xinjiang Uyghur Autonomous Region. The report points out that this law does not require a ban on investment in Uyghur Autonomous Region businesses. You recommend that the United States enforce this ban through executive order 14032.

I find this very interesting, because the Canadian government has done it differently. Instead, it has done it through an order in council, to ban products from the Xinjiang region that were probably produced using forced labour.

The problem is that we are not in a position to implement this order. Obviously, in this one, there is absolutely no mention of investments in the Uyghur Autonomous Region. So we're banning the entry into Canada of products made in the Xinjiang region, which were probably made using forced labour, but we're not banning investment in companies that produce goods that will be exported elsewhere if we don't import them here. Isn't that a contradiction?

I will then come back to what you are proposing in relation to decree 14032.

[English]

Mr. Sam Goodman: Yes, I certainly think there needs to be parity when it comes to legislation looking at supply chains. They should also look at finance. I think you're right that we can't really talk about banning the import of goods from Xinjiang while at the same time we allow the financing of companies that have direct links to forced labour in Xinjiang. There is a clear inconsistency.

[Translation]

Mr. Stéphane Bergeron: Therefore, you are saying that it is not enough to ban the entry into our territory of products coming from the Xinjiang Autonomous Region that have probably been manufactured using forced labour; we must ban the investments that contribute to the production of these goods, which will be exported elsewhere in the world if they cannot be exported to us because of this ban.

[English]

Mr. Sam Goodman: Yes, I would support that recommendation.

• (2115)

[Translation]

Mr. Stéphane Bergeron: So I'll return to one of the conclusions of your November 2022 report. In it, you point out that the Uyghur Forced Labor Prevention Act does not prohibit investment in

Uyghur Autonomous Region businesses, but that such a prohibition could be implemented through executive order 14032.

Can you tell us more about this?

[English]

Mr. Sam Goodman: I think the regime the U.S. government is setting up would allow a provision that could apply to investment as well as goods. I think it might be a good example of something that Canada might be able to replicate as well. I recognize that the approach the Americans have taken is quite aggressive. It recognizes that there simply isn't a test to meet for due diligence as well, in that you can't verify, a lot of the times, whether goods have been made by forced labour. I think similar tests could apply, in some cases, to investment where I think there's a sizable amount of evidence linking some of the companies in the region to the camps and some of the forced labour programs.

The Chair: Thank you, Mr. Bergeron.

Mr. Goodman, we need one more microphone adjustment. If you could move your microphone out a little bit, just bend it out a little bit, but again between your nose and your lip, that would be good. We're just getting a little pea-popping. For the benefit of our interpreters, we want to make sure that the sound is not distorted. Thank you.

Now we will go to Mr. Boulerice for six minutes or less.

[Translation]

Mr. Alexandre Boulerice: Thank you very much, Mr. Chair.

I thank our witnesses for being with us tonight.

My question is for both witnesses. It relates to what Dr. Goodman said about environmental, social and governance criteria, or ESG criteria.

You suggested that these criteria were not taken seriously, kind of like jokes, and that there were no real consequences for not following them.

Can you elaborate on what you think, Mr. Goodman, about these so-called ESG criteria and what they represent in real life?

Ms. Calverley can speak afterwards if she wishes.

[English]

The Chair: Mr. Goodman, did you get that translation?

No, I'm sorry, for some reason the translation was not available. Maybe he pushed the wrong button.

Mr. Boulerice, could you just very briefly repeat your question.

[Translation]

Mr. Alexandre Boulerice: My question is related to the fact that Mr. Goodman previously indicated that, in his opinion, ESG criteria were not taken that seriously and had no real application. In fact, they were almost a joke and not very serious. This is something that worries me a lot.

On this subject, I would like to hear from Mr. Goodman, as well as Ms. Calverley.

[English]

Mr. Sam Goodman: The process of ESG is that if there is a company that's suspected of being involved with forced labour, as an example, a Canadian pension fund would be expected to engage with that company to see how it could improve its record on forced labour—which, within the context of China and the Chinese state apparatus, is a non-starter, really. That process won't go anywhere. As other witnesses have pointed out, these companies are working hand-in-glove with the Chinese state and they're legally required by Chinese laws to do so. Therefore, the process itself is quite flawed. I think that increasingly, for a lot of pension funds, it's become a bit of a tick-box exercise.

As Ms. Calverley has already pointed out, it's heavily slanted towards focusing mainly on the environment, forgetting about human rights.

Ms. Aileen Calverley: For the Canada pension plan, we can see that Alibaba and Tencent are huge holdings. They are some of the biggest holdings in that pension plan, and both, actually, with violations of human rights in Xinjiang.

I don't know if the pension plans have any mandate to check their holdings for whether they comply with ESG? I'm not sure that, actually, is a mandate.

For a lot of fund managers now it's quite fashionable to check ESG, but I think there's no authority. For example, for country risk rating agencies we have Standard & Poor's and Moody's, but for companies we never get any ESG rating. For example if it rates a 10, that means it's very good, whereas a 1 shows bad environmental or human rights violations. We don't have that kind of rating. We only have ratings for risk. We get Moody's and Standard & Poor's to give ratings, for example, for Canada's country bonds. Our bonds are actually AAA, for example. We get that kind of rating, but for stocks we don't have that kind of rating yet. It's really up to our fund managers to make the decisions, especially if there's no regulation that our pension fund must follow for this sort of ESG standard.

● (2120)

[Translation]

Mr. Alexandre Boulerice: I thank you both very much.

As I have just returned from COP27, the UN climate conference that took place in Egypt, I am quite aware of the concept of green-washing.

By using ESG criteria, aren't we doing labour or human rights laundering?

How could the Canadian federal government ensure that this principle is more widely applied and not just a checkbox, as you said?

[English]

Mr. Sam Goodman: I think you have to mandate that all the components of ESG have equal weighting, and that includes the S as well as the E and the G.

I also think, in terms of social risk and social factors, that often companies think of gender diversity on their board. Do they celebrate LGBTQ+ month and things like that while they neglect basic human rights?

I think if you were to require companies to take human rights seriously, that would probably transform the emerging markets index over night, because China is not the only one that has human rights issues. There are many countries and there are many companies that are involved with states that have appalling human rights records.

Ms. Aileen Calverley: Canada is a leading country defending human rights and freedom in the world. I think actually that Canada can lead on ESG standards if the government gets serious about our pensions and our investments. I think that should be the starting point that we impose, some kind of regulation that our pension plan needs to look into ESG standards. That would be a very good start and a good example, a good model to other countries in the world. I'm sure Canada can do this.

The Chair: Mr. Boulerice, you are out of time. I did stop the clock, by the way, so that you could repeat your question.

We will now go to Mr. Chong for five minutes or less.

Hon. Michael Chong: Thank you, Mr. Chair. I'll split my time with Mr. Genuis if that's okay with you.

Mr. Chair, there have been consultations among the various members of the committee. If you seek it, I believe you will find unanimous consent to adopt the following motion:

That the Chair be directed to present the following to the House forthwith: That the committee express its support for the brave and courageous Chinese protesters who are fighting for their fundamental human rights and freedoms of association and expression, and call on Beijing to respect the right to peaceful assembly and avoid a repeat of the Tiananmen square massacre of 5 June 1989, and request the government respond to this report under Standing Order 109.

The Chair: Does Mr. Chong have unanimous consent to present this motion?

Some hon. members: Agreed.

The Chair: Do we need a recorded division or are we willing to just all say yes?

Some hon. members: Agreed.

The Chair: They are all willing to say yes, Mr. Chong.

(Motion agreed to)

The Chair: Thank you

Mr. Garnett Genuis: Thank you, Mr. Chair, and Mr. Chong.

Sam and Aileen, it's great to see you both. Thank you for your presence here, but, more importantly, thank you for your work on such a vital issue.

I think it's important to underline how this issue—products made by slave labour being imported into Canada, and Canadian pension dollars, or other dollars from Canada, being invested in companies that are part of repression in China—is fundamentally not a new issue. This is an issue both of you have been working on, and sounding the alarm on, for years. We've discussed it in Parliament and various committees.

I'm pulling up a 2019 question by my friend Mr. Kmiec, who's sitting here beside me. He asked the government specifically about CPPIB investments in companies that are complicit in crimes related to the Uighur genocide. It was three and a half years ago, at least, that we raised these issues in Parliament. I think the extent and horrors of the situation called, then and now, for an ambitious action plan from the government. We continue to talk about it and hear some of the right words from government members, but the fact is that we haven't seen any kind of action, or action plan, around this.

We talked a bit about Bill S-211. That's a private member's bill. It was proposed by an independent senator, championed by various members, and sponsored by a backbench member of the governing party, but we haven't seen any kind of government legislation, efforts to negotiate new international agreements, or substantive proposals. There's been a lack of government response and ambition in trying to address this very significant problem. It's great that you're here and we're talking about this, but I think it's far past time that the government take some action on this.

When it comes to the CPPIB specifically, the response to my honourable friend, three and a half years ago, was that CPPIB operates independently, at arm's-length, and that the government trusts its decision-making. The response to questions I've posed to directors at the CPPIB has been, "Well, we operate under framework legislation. We're constrained by that framework legislation. That defines the factors we should or shouldn't take into consideration." There is a bit of finger pointing both ways going on here, but we desperately need some action. I think leadership has to start with the government.

Could you comment specifically on what kinds of concrete actions you would like to see the Government of Canada take, as soon as possible, to address the unacceptable importation of goods involved in slave labour, or investment in companies involved in this?

• (2125)

The Chair: I'll ask for a brief response from both people.

Mr. Sam Goodman: I think, first of all, that a piece of legislation mandating a regular blacklist should be published for investors, restricting investment in China—a summary piece of legislation that defines ESG and, in particular, mandates the CPPIB to integrate the ESG definition, as set out by lawmakers, into all of its investments.

Ms. Aileen Calverley: Also, there should be country analysis attached to the Indo-Pacific strategy. I think that is very important. Lay out the potential losses, when there are conflicts.

Mr. Garnett Genuis: Thank you. I am quite confident that—

The Chair: Mr. Genuis, you are out of time.

Mr. Garnett Genuis: Mr. Chair, I have been timing. I'll defer to you, but I don't think I quite was.

The Chair: How about I give you 10 seconds?

Mr. Garnett Genuis: I think there would be support among a majority of parties, at least, in the House for some kind of legislation that would establish certain moral guardrails when it comes to CPPIB investments. I'd love to see that legislation.

The Chair: Thank you very much.

Mr. Fragiskatos, you have five-ish minutes.

Mr. Peter Fragiskatos: I note the "ish", Mr. Chair. Thank you very much.

The question goes to Ms. Calverley first.

Thanks to both of you for your presentations.

Ms. Calverley, from about 2019 into 2021, the issue of Hong Kong was front and centre. It was capturing front-page attention in this country and other countries. Now, we'd be lucky to find the issue of Hong Kong covered on page A20, let's say, of The Globe and Mail or other newspapers.

Do you worry about that? How do you see that? Certainly, with respect to China, the focus is on Taiwan, at the moment, for obvious reasons. There's a danger that we'll lose sight—either as parliamentarians or within Canadian society, generally—of the importance of the issue of Hong Kong. I think there's something generally lost there, as far as Canada's engagement with China is concerned.

• (2130)

Ms. Aileen Calverley: I think I worry, and I also don't worry too much. I worry, of course, that, like what you said, people will forget about Hong Kong, but I think that for the value of the protest cycle.... In 2014, there was a lot of focus, and then it died down. Then, in 2019, it came back, five years later. Between 2016 and 2017-18, there was no news among the media and parliamentarians hardly talked about it, but that doesn't mean that the whole movement was destroyed. I think it's just a different momentum, and I believe the focus will be back to Hong Kong one day.

Right now, of course, we're also doing a lot to get attention from the media and also to get support from parliamentarians. For example, there's the "lifeboat" scheme that is helping those who need to escape the repression to escape from Hong Kong. That's an area we're working on. We get bits and pieces about the lifeboat scheme from the media—for example, the Toronto Star and The Globe and Mail—but of course, on the harder issues, I think, to talk about Hong Kong in the last year, possibly we get four to six pieces of news about Hong Kong.

Mr. Peter Fragiskatos: Thank you very much.

My last question goes to Mr. Goodman. We heard in the previous panel, sir—and I'm not sure if you were able to follow it—from a witness that Germany offers the most progressive kind of legislation with respect to supply chains. If you're familiar with the German law, do you have the same point of view?

Mr. Sam Goodman: I'm not aware of the details of the law, but I did hear the previous witness, who said that this law will come on-line next year. I'm not sure how effective that will be. I guess it will depend on the positioning of the German government. I think that if you look at the German government—I was in Berlin two weeks ago—you see that they're very divided on this issue of China, and they're having a very active and healthy debate about these investment matters that we've discussed here.

At the same time, one of the things they're looking at is cutting investment incentives for German companies investing in China, which I think is an important issue as well and is something that deserves further consideration from this committee on how it can be replicated in Canada.

Mr. Peter Fragiskatos: Thank you very much. I should have specified that it “would offer”, but thank you for that, Mr. Goodman.

Those are my questions, Chair.

The Chair: Thank you, Mr. Fragiskatos. We'll now go to Mr. Bergeron for two and a half minutes.

[Translation]

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

Given the warning signs, which have been clearly visible for a number of months, if not a number of years, what do you think can lead investment funds and pension funds to want to continue investing in China?

[English]

Mr. Sam Goodman: Well, I think the Chinese government is very good at co-opting businessmen who go to China. They're very good at rolling out the red carpet.

I think a lot of investment funds follow some of the big leaders in the field, like BlackRock, which has been the sounding cry, really, for further investment in China. In fact, BlackRock, up until last year, was saying that the weighting in the emerging markets was too small and they were actually trying to have a bigger weighting. I think there's a risk where a lot of investors are being sucked up because some of the leading investors clearly have quite a pro-business sentiment when it comes to China.

I also think that people want to deal with the China that they imagine, rather than the China that is the reality, and I think that at this point in time we need to realize that Xi Jinping and China and the investment environment in China have fundamentally changed.

Ms. Aileen Calverley: I wanted to talk about that, because I think that in China or in Hong Kong, if you're trying to tell the truth about it and how actually there's no return in investing in China or that the economy is actually not good, you will be persecuted. You could be arrested. You're not allowed to say things like that. I think that often you don't hear the truth. I think that's the big problem.

Right now, I'm starting to see some articles talking about how actually there's zero return when you invest in China. I think that if you look at investment in Chinese stocks for the last 10 years, it's actually losing money, but somehow, I think, in the world, the CCP is very good at propaganda, at telling us a wonderful story to invest in China, to build your company in China or to invest in China so you get huge returns because there's a huge market.

People have that kind of impression, but when you look at the result and you look at the charts, it tells the other story. A lot of economists and others are afraid to tell the truth. They don't want to write something bad about China because they could be in trouble.

● (2135)

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

We'll now go to Mr. Boulerice for the final two and half minutes.

[Translation]

Mr. Alexandre Boulerice: Thank you very much, Mr. Chair.

In response to a previous question on Canada's new Indo-Pacific strategy, Ms. Calverley mentioned that she would like to know more about comparative interests, but I am not sure I understood her meaning correctly.

Ms. Calverley, what are your thoughts on the federal government's new policy on our strategic interests in the Indo-Pacific region?

[English]

Ms. Aileen Calverley: I think, especially on China, it's very progressive. It's more progressive than I expected. It mentioned defending human rights and Canadian values, but just saying that is not enough. You need to have a strategy and a plan for how to protect our national interests.

I think it said it wants to protect our national interests, but how will it do that? When we look at all of the pension funds, we're talking about billions of dollars. We have huge investments in China.

The strategy talked about Taiwan. What happens if there are some conflicts or blockages in Taiwan? What's our plan? Is there any contingency plan? Is there any preparation for such a confrontation?

For example, even if there's a crackdown on protests and Canada joins other like-minded countries to sanction China, but then when they sanction China, Chinese stocks go down. Our pensions would go down. That means our policy is hurting our own pensions. We don't want that action to stop. If we're worried about our own pensions and, therefore, no, we are not going to sanction China, that's not a very good situation to be in.

That's why I think in the Indo-Pacific strategy, especially in the China section, there should be a country risk analysis to estimate the cost of loss when there are conflicts.

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

Ms. Calverley, this is a quick question from the chair. You've been very outspoken tonight. Do you expect to hear something from China as a result of what you've said here?

Ms. Aileen Calverley: I don't know. I don't mind if they want to make comments.

The Chair: With that, I'll say thank you to both of our witnesses and to our members here tonight.

I want to thank our interpreters, the analysts, the clerk, that technical staff and MPs' staff who have been with us this evening. We will see you all again next Tuesday evening.

This meeting is adjourned.

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