

OPINION

The high price of Chinese money laundering in Canada

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Canada-China political relations continue their downward spiral following the arrest of Huawei executive Meng Wanzhou in Vancouver, with ongoing retaliatory actions and threats by the Chinese government. As a result, Canadians are increasingly asking themselves what sort of government they are dealing with.

A glimpse into Chinese money laundering helps us understand the struggles within an authoritarian state awash with cash, and how it dumps some of its problems on countries like Canada.

International money laundering, which is a criminal offence in Canada and China, occurs when individuals “clean up” or launder proceeds from crime by investing in foreign assets so that the dirty monies enter the conventional financial system. More broadly, international

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First, this money laundering occurs on a massive scale. According to *The New York Times*, US\$1 trillion recently left China in an 18-month time period around 2015-16. Most of this money comes from wealthy Chinese individuals who secretly store away their legally earned money overseas. What began as a trickle 20 years ago has now become a tidal wave of capital outflows with stories of middle-class Chinese now opening bank accounts in Canada and the United States. In part, the amount of money moving offshore can be tied to the incredible economic growth that has raised Chinese household incomes for thirty years.

Individuals who move their monies offshore fear that China's economy could tank or the yuan may be devalued against overseas currencies, wiping away most of their savings. Or worse, the Chinese government may unfairly take their money if these individuals fall into disfavour or under the whims of some corrupt official. People from all over the illiberal world engage in similar capital flight activities to protect themselves or their families – although on a lesser scale compared to these unprecedented flows coming out of China.

Second, Chinese money laundering is suspected to go all the way to the top of the power echelons of the Chinese Communist Party. In a 2014 report by the International Consortium for Investigative Journalists, a data leak from a Singaporean offshore financial service provider revealed a little fewer than 22,000 secret offshore accounts held by Chinese citizens (I was a legal consultant working on this leak).

Many of the individuals identified within this leak were family members of the rulers of the CCP, including the tiny group of seven men within the Politburo Standing Committee who run China. For instance, the data leaks showed that Chinese President Xi Jinping's brother-in-law Deng Jiagui maintained companies based in secretive tax havens (although the usage of such companies may have been legal).

Finally, Chinese money laundering is tied to Canada's number one public health crisis, namely the nearly 4,000 fentanyl overdose deaths per year. According to Canadian law enforcement, most of this fentanyl – including the deadly tainted version of the drug – is manufactured by and shipped from China-based factories through online sales to Canadian drug users and traffickers

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These Vancouver mobsters make and move so much dirty money they make Tony Soprano look like a two-bit crook.

Senator Vernon White, a former police officer, has called for punitive trade sanctions against China until their government acts to stem the production and sale of fentanyl from state-regulated factories.

Chinese money laundering paints a troublesome picture of a country where citizens often do not trust their government and where organized crime benefits from cleaning up illicit proceeds from a drug that is killing thousands of Canadians. It is very much in keeping with the unflattering portrait that the CCP has now shown the world following Ms. Meng's arrest, which should remind Canadians of the true face of this rising power.

Editor's note: Deng Jiagui is President Xi Jinping's brother-in-law. An earlier version of this column identified him as the son-in-law.

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