

9/30/24, 9:11 AM

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INVESTIGATION

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A Globe and Mail investigation reveals Michael Chan was the focus of a briefing by security officials over fears he was under the influence of China – a case that exposes a deep divide between the spy agency and the province on the question of foreign influence. Craig Offman reports

Canadian intelligence officials suspected Ontario cabinet minister Michael Chan was under the undue influence of a foreign government, prompting CSIS to formally caution the province about the minister's alleged conduct in a 2010 briefing. In the view of the Canadian Security Intelligence Service, Mr. Chan had developed too close a relationship with China's consulate in Toronto, raising fears the minister was susceptible to interference from Beijing that could put Canada's national interests at risk, a Globe and Mail investigation has found. The incident reveals a profound disconnect between the federal spy agency and the province on the question of foreign influence.

The backstory

The Globe and Mail's 10-month investigation began last July during the Liberal nomination for the new federal Toronto riding of Don Valley North. With the help of Ontario cabinet minister Michael Chan, Geng Tan scored a landslide upset over party insider Rana Sarkar. The victory was also dramatic and revealing in other ways. Dr. Tan, a mild-mannered chemist from China, was part of a new crop of Chinese-Canadian candidates who called themselves the Five Tigers. Overcoming years of wariness about Canadian politics due to this country's terrible legacy of racism –

9/30/24, 9:11 AM

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The minister, who remains in cabinet, was not suspected of treason, nor was he under investigation for espionage. But Mr. Chan's unusually close ties to Chinese officials were of such concern to Canada's spy agency that it took the extraordinary step of sending a senior official to raise the matter at Queen's Park.

Through interviews with current government and former intelligence officials, as well as Mr. Chan himself, The Globe has pieced together the story behind former CSIS director Richard Fadden's cryptic and controversial 2010 remarks – in which he said his agency had concerns that two provincial ministers of the Crown were under the influence of a foreign government. The country was China.

When Mr. Fadden went public with his suspicions in June, 2010, he did not identify the ministers in question, nor did he elaborate on his concerns. Politicians from all corners were outraged. Chinese-Canadians, who have their own political divisions, were uniformly incensed. After the backlash, the CSIS director recanted and the controversy subsided.

Privately, however, Mr. Fadden stood by the work of his agency and obtained permission from the federal public safety ministry to inform Ontario of CSIS's concerns about Mr. Chan, The Globe investigation reveals. That meeting took place several weeks after Mr. Fadden's public backpedalling. The Globe has not been able to determine the second Crown minister to whom Mr. Fadden referred.

Mr. Chan, a member of the Liberal cabinet for the past eight years, has been a powerful fundraiser for his party and a conduit to the Chinese business community. The 64-year-old former insurance broker is critical to the Liberal government's strategy for strengthening economic ties to Beijing and has played a lead role on trade missions, as recently as April, 2015.

for which Canada apologized only eight years ago – the Tigers would in some ways represent the ascent of Chinese Mainlanders, a critical electoral bloc and demographic powerhouse that could help the Liberals take away votes from the Conservative juggernaut in the crucial area of Toronto's suburbs.

In the background of this political development was Mr. Chan, a polarizing figure in the Chinese community. To his party and his many supporters, including the Premier, the eight-year cabinet veteran is an effective minister, party fundraiser, community conduit and asset to the province's economic strategy. To some Chinese-Canadians, particularly those critical of Beijing, he is simply too close to China.

Those observations, gleaned from conversations with dozens of Chinese-Canadians of many backgrounds and political leanings, prompted further inquiry about the minister in government and intelligence circles. That led to the discovery that Mr. Chan was one of the Crown ministers then-CSIS director Richard Fadden referred to in his widely criticized 2010 remarks about alleged undue influence and foreign governments.

The investigation into the CSIS affair also led to an examination of the splintered politics among the Toronto area's Chinese-Canadians, which have become more exaggerated as relations between Canada and China deepen. While the business community is boosterish, others are leery. They came to Canada to escape the yoke of Communist oppression, only to see the country's influence touching the Canadian landscape. On the whole, the tightening of relations between Canada and its second-largest trading partner is one of the most complex issues of our time – so complex, as the CSIS affair reveals, that two Canadian institutions were

9/30/24, 9:11 AM

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To the provincial government of the day, which deemed the allegations baseless after a review by the Integrity Commissioner, Mr. Chan had done nothing wrong. By engaging the consul-general regularly, the minister was simply doing his job – and doing it well.

utterly at odds on what constitutes inappropriate foreign influence.

But in the eyes of the federal spy agency, Mr. Chan was a potential – and potentially unwitting – threat who could compromise Canadian interests. Although foreign influence is not a top priority for CSIS, which is preoccupied largely with terrorism, China presents a special case. The Communist country is accused – by Canada, among many other countries – of engaging in economic espionage, an allegation China rejects. CSIS therefore treats potential threats of foreign influence from China more seriously than other countries with which Canada does business.

In the years since the 2010 CSIS briefing, Mr. Chan's stature has been elevated and he is now the Minister of Citizenship, Immigration and International Trade, a portfolio that leverages his connections to China to benefit the prosperity of the province.

In an October interview with The Globe, Mr. Chan dismissed the concerns of the spy agency, which have never been disclosed by the province. "They have a job to do and if they have a suspicion of something, go ahead," he said of CSIS. "I have nothing to really hide or anything in that nature, and if it goes on two years already or three or four years, I cannot stop what they are thinking."



Richard Fadden, national security advisor to the Prime Minister and former CSIS director, appears at Senate national security and defence committee hearing in Ottawa on Monday, April 27, 2015. (THE CANADIAN PRESS/Sean Kilpatrick)

Long before the [CBC broadcast Mr. Fadden's surprising remarks](#), CSIS had publicly warned of the risks of foreign interference in general terms. But the 2010 meeting was an unusual airing of specific concerns about an elected Canadian official.

In the briefing, a senior official from Ottawa told the province's top bureaucrat, Shelly Jamieson, that Mr. Chan had crossed the spy agency's radar after his election in 2007.

The agency believed Mr. Chan had an unusually close rapport with Taoying Zhu, who was China's consul-general in Toronto until 2012. At one point, CSIS alleged, Mr. Chan and Ms. Zhu were having daily conversations. Such frequency can happen from time to time – when countries are negotiating details of a trip or an event, for example. But details are not usually

9/30/24, 9:11 AM

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settled by officials as high-ranking as a minister and a consul-general, as they are most often handled by bureaucrats.

Mr. Chan was not present during the CSIS briefing and did not speak to the federal agent. But in the interview with The Globe, he recalled being told of two specific concerns raised by CSIS: The federal agency alleged that he owned property in China and that he asked Ms. Zhu directly for a visa, suggesting the minister could bypass the formal application process. Were such a request granted, it could also have the appearance of a favour in need of reciprocation.

In his interview with The Globe, Mr. Chan said both concerns were baseless. His 2014 property disclosures, which are required by the province's Integrity Act, list only his home in Markham, Ont. In a statement to The Globe last month, Mr. Chan's spokesman cited a 2009 delegation to China and contact related to cultural events as reasons for the regular dialogue with the consul-general.

Other sources told The Globe that CSIS's suspicions were based on at least five specific concerns about Mr. Chan's conduct between 2008 and 2010. The Globe could not verify that additional concerns were discussed during the CSIS briefing.

After the CSIS briefing, Ms. Jamieson – who, as secretary of the cabinet, oversaw the province's 68,000 bureaucrats – had a choice, according to protocol: She could dismiss the concerns or alert the Premier's Office.

The Premier's Office was informed.

Chris Morley, who was chief of staff to then-premier Dalton McGuinty, discussed CSIS's concerns with the minister, Mr. Chan told The Globe in his October interview.

After discussing the allegations, Mr. Chan consulted with the Office of the Integrity Commissioner to ensure he was in compliance with the province's Integrity Act. (This vetting was characterized by the current Premier's Office as having been out of an "abundance of caution.")

The province dismissed the concerns after he was found in compliance with the act. It is unclear, however, what allegations were investigated and how they were dealt with under the terms of the Integrity Act. The act governs conflicts of interest and foreign property ownership, but does not explicitly define how ministers of the Crown are to interact with members of foreign governments. The Office of the Integrity Commissioner declined to comment on Mr. Chan, citing confidentiality.

9/30/24, 9:11 AM

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Mr. Chan invited The Globe to review the commissioner's files on the matter, but the office did not authorize their release. A spokesman for Mr. Chan then offered to obtain the notes and share them with The Globe, but they have not been made available to either party by the Commissioner's Office.

After Mr. Chan was cleared by the Integrity Commissioner, Mr. McGuinty's office said in an October statement to The Toronto Star that there was no substance to the allegations. The statement did not name Mr. Chan as the minister in question, nor did it say what action the province took to clear the cabinet minister. The matter was effectively closed.

Mr. McGuinty, who resigned during his third term as premier in 2012, declined a request to comment on the incident. After 23 years of public service, a spokeswoman said in an e-mail, Mr. McGuinty has chosen to return to private life.

Ms. Jamieson, who resigned as cabinet secretary in 2011, told The Globe she would not breach her oath of confidentiality and she declined to discuss the allegations. Mr. Morley also cited an oath of secrecy.

In the past year, Mr. Chan's star has risen in Mr. McGuinty's successor's cabinet. Mr. Chan has spearheaded two trade missions to China and has become a mentor to a new cadre of federal Liberal candidates with Chinese roots. The Markham-Unionville MPP is considered instrumental in bringing the Confucius Institute to the Toronto District School Board, an arrangement with the Beijing-sponsored language and culture program that was scuttled by trustees in October, 2014, amid concerns that the Chinese government, not the school board, controlled the selection of teachers and the curriculum.

"I have not paid attention at all, in terms of the curriculum," Mr. Chan said of the Confucius controversy in his October interview with The Globe.



Ontario Minister of Citizenship, Immigration and International Trade, Michael Chan and Premier Kathleen Wynne in Nanjing China for a trade mission in October 2014. (Qilai Shen for The Globe and Mail)

Through a spokeswoman, Ontario Premier Kathleen Wynne defended Mr. Chan's integrity and expressed full confidence in the minister. "Michael Chan is a man of sterling character who has served the people of Markham-Unionville, and all Ontarians, honourably," Ms. Wynne's director of media relations, Zita Astravas, said in an e-mailed response to an October request for comment from the Premier's Office.

9/30/24, 9:11 AM

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“It makes us proud that Ontario is home to so many people of Chinese descent, including Michael Chan. Ontario’s vibrant Chinese community is an integral part of our province’s identity.”

Of CSIS’s concerns, she said: “We assume the matter is closed.”

Ms. Astravas’s e-mail quoted Mr. Fadden’s June 24, 2010, statement to the public in which he said CSIS had not deemed the cases “significant enough to brief provincial authorities.”

“It’s important to remember that the former CSIS Director told the House of Commons Public Safety Committee that the comments were accidental and he regretted making them,” Ms. Astravas said.

Her response did not address the gap between Mr. Fadden’s climbdown in June and the CSIS briefing at Queen’s Park weeks after. But she said that no concerns about the minister have been brought to Ms. Wynne’s government, by CSIS or anyone else. She did not respond to a question about whether the CSIS matter was revisited by Ms. Wynne before Mr. Chan’s cabinet promotion.

On Monday, a spokeswoman for CSIS said the agency could not provide comment immediately. The Chinese embassy declined to comment on the relationship between Mr. Chan and the consulate. Ms. Zhu could not be reached.

The affair sheds light on a quandary for federal intelligence officers, who often monitor foreign officials stationed in Canada from countries with competing or adversarial interests, such as China and Russia. In the case of Mr. Chan, who was never the target of an investigation per se, it appears that CSIS came across Mr. Chan incidentally during surveillance of Chinese officials. It is unclear if that was part of a specific probe of individuals or routine intelligence gathering, which can include physical surveillance, confidential sources and eavesdropping techniques.

A former senior intelligence official, who was familiar with the Chan case but was not involved with it directly, said he understood how CSIS and the government could draw different conclusions from the same information.

Intelligence work is not black and white, and individual allegations or actions are often marginal on their own, which could leave a government with little cause to act. A foreign-influence case is particularly challenging, because concerns are predicated on evidence that is more ambiguous than in a criminal case, such as espionage.

9/30/24, 9:11 AM

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Context is crucial. The same patterns of interaction between a Crown minister and a consul-general from France, for example, would not trigger the same concerns for CSIS, because France has not been active in foreign interference in Canada for more than half a century. The same cannot be said of China, which as recently as 2014 was accused by Ottawa of trying to pilfer scientific secrets from the National Research Council.

On top of that, there appears to be no precedent to guide an appropriate government response, given the rarity of what happened in the Chan affair.

The result was an impasse, with Mr. McGuinty, Mr. Chan and Queen's Park on one side, and CSIS on the other. There were no consequences for one of the most significant interventions by the federal spy agency in modern Canadian history, nor was there any transparency that would have allowed for a more meaningful debate, raising questions about what was learned from the affair.

The country's spy agency can identify threats of foreign influence, but cannot compel a government to take action. In the Chan case, Queen's Park used the only formal mechanism it had, the Integrity Act. But the act was not designed to address the subtle risks that accompany interactions with officials from a country such as China.

Mr. Fadden stepped down as CSIS director three years after the Chan incident and became deputy minister of National Defence, one of the most influential bureaucratic posts in Ottawa. In January, Mr. Fadden was appointed national security adviser to Prime Minister Stephen Harper. His office did not respond to a request for comment.

In April, Mr. Fadden was asked at a Senate committee hearing if he believed foreign governments were still targeting prominent Canadian politicians.

"As I said then," Mr. Fadden answered, "it went on then," referring to the 2010 controversy. "And I suspect it's going on now."

In his interview with The Globe, Mr. Chan was dismissive of the agency's suspicion, even if it continued to this day.

"When are they going to stop? I don't know how many times they've been here," he said of the spy agency. "But the funny part is: When [you] have to talk about something, then you have to come up with something."

9/30/24, 9:11 AM

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“Talking is always cheap,” Mr. Chan added. “Look, I’m doing my job. The Premier still trusts me.”

Craig Offman is a Globe and Mail feature writer. Before that, he was The Globe’s foreign editor. Mr. Offman has also been a staff editor and writer at Vanity Fair, Salon and Wired. His long-form journalism has also appeared in The Financial Times, GQ and the National Post. He is a graduate of McGill and Johns Hopkins universities. coffman@globeandmail.com

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