

B.C.'s foreign-buyer tax could help China fight corruption: ex-envoy

By Steven Chase and Robert Fife

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Canada's former ambassador to China says B.C.'s new tax on foreign property buyers should please Beijing to the extent that it helps thwart an exodus of ill-gotten money and corrupt officials across the Pacific Ocean.

Few of the home buyers who hail from China are scofflaws fleeing Beijing but Chinese officials are mainly concerned with those rare cases where people are on the lam.

"Beijing's main concern is preventing fugitive officials from finding safe havens in countries like Canada," said David Mulroney, who served as envoy to China between 2009 and 2012.

Mr. Mulroney, now president of St. Michael's College at the University of Toronto, welcomed the new levy but cautioned that people will try to get around it.

"Foreign transactions may be effectively laundered so as to seem domestic," he said, adding that Canadian and B.C. officials will have to scrutinize the new system closely to ensure compliance.

But he said measures in British Columbia to more effectively regulate and monitor foreign investment in real estate should make Vancouver "slightly less attractive" to fraudsters from China.

"I say 'slightly' because loopholes will inevitably be found. But this news should make Beijing happy."

Foreigners who buy residential property in the Vancouver area will have to pay an extra 15-per-cent tax as part of a B.C. government plan to slow the foreign speculation that many blame for making the region's houses the most unaffordable in Canada.

Wealthy investors from China are believed to be a key driver in some segments of the Vancouver real estate market. Statistics released by B.C. show foreigners bought nearly 5 per cent of houses sold in and around Vancouver over three weeks in June – but critics say this figure understates the matter.

Vancouver-based immigration lawyer Richard Kurland said immigrant investors who obtain permanent residence status in Canada are no longer classified as foreigners but in many cases they still earn all of their income abroad and, in some cases, continue to live overseas while owning properties in B.C.

Reached for comment this week, the Chinese government's representative in Canada offered no objections to the B.C. tax on foreign property buyers. Instead, he said Chinese newcomers must respect the rules in Canada.

"The Chinese government always encourages its citizens to come to Canada to carry out economic, trade and investment activities, while asking them to abide by relevant local laws and regulation," said Yang Yundong, counsellor and spokesman at the Chinese embassy in Ottawa.

In December of last year, 46 of China's 100 most-wanted fugitives named in the Operation Sky Net anti-corruption campaign were believed to be living in the United States or Canada, Reuters reported. These are former government officials who have fled with allegedly ill-gotten gains.

"Canada and China have a shared stake in preventing flows of hot money across the Pacific," Mr. Mulroney, the former Canadian envoy, said. "Progress largely depends on China tackling corruption at home and

embracing much more stringent standards in its own financial sector.”

Paul Evans, a specialist in Asian-Pacific issues at the University of British Columbia, said he doesn't believe the new levy will have any impact on relations between Ottawa and Beijing. The two governments are believed to be trying to find a way to negotiate a free-trade deal.

“They have free-trade agreements, they have deep political relationships with several countries that have something similar to this – Australia is the most important example,” Prof. Evans said. Australia has enacted a similar tax on foreign buyers.

He said the fact the B.C. tax is structured in a way that does not explicitly single out Chinese nationals also works to prevent dissatisfaction in Beijing. “So far as I know it does not violate any of the terms of our agreements under trade agreements,” Prof. Evans said.

A spokeswoman for federal International Trade Minister Chrystia Freeland said the government had no comment on the B.C. levy because it is still studying the measure.

One model that fugitive Chinese officials employ is to move their spouse and children to a safe country and ship much of their wealth to the same locale as an investment against future problems in China. “The money has often been earned illegally and is then exported illegally,” Mr. Mulroney said.