A Guide to Investment Migration for Governments and Global Citizens
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Introduction

National and international political shifts, volatile economies and markets and rapid technological and ecological changes combine in complex ways every day to transform pacific environments into chaotic ones, economic assets into liabilities, safety into insecurity. At the same time, risks can become opportunities overnight, particularly for those who are able to act swiftly, unburdened by bureaucracy and the frictions of global travel.

More than half a century of rapid globalisation has linked nations, economies and markets in new configurations. Yet while global connectivity continues apace, static notions of nationality remain. And citizenship—the accident of birth that determines where individuals can travel and reside, what markets and networks they can access—continues to define and constrain people.

Wealth—what one has accumulated, but also the sum of one’s knowledge, talent and connections—has traditionally been a buffer against chaos as well as a path to further success. Yet even wealthy individuals and families, if they are not globally connected, will remain limited by the particular context, policies and resources of their birth citizenship. These can hinder their ability to respond to new threats or opportunities or to access the global travel, culture and residence options that appeal to them.

Individuals interested in insuring against political and economic uncertainty, as well as those determined to capitalise on the rapidly changing mix of markets, business ventures and culture on offer around the globe, cannot afford to overlook the value of expanding their residence and citizenship options. In particular, they need to consider holding second or multiple passports, or alternative residences, if they are to claim the power and flexibility of true global citizenship.

Alternative citizenship holds particular appeal for international investors and globetrotters. Jim Rogers, who co-founded the legendary Quantum Fund with George Soros, is among them. Mr Rogers says his many journeys convinced him of the necessity of a second passport.

“If you’ve seen the world, you know it is always changing, and whatever you think today is not going to be true in 15 years,” says Mr Rogers. “So, you had better have a plan in case you’re in the wrong place at the wrong time.” He adds: “Many countries and people throughout history have learned that things change, and often for the negative, so everyone should have a Plan B that includes having some of your assets in other countries, and a way to live in another country if you need to. Everybody in my family has more than one passport. In my view, it’s a wise insurance policy and a wise investment.”

At the same time, attracting high-net-worth individuals through alternative residence or citizenship programmes can increase a nation’s overall wealth and standard of living, and decrease its reliance on international capital markets and over-indebtedness.

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—Jim Rogers, Quantum Fund co-founder
Investment Migration Boom

Investment migration programmes enable nations to grant residence or citizenship rights to individuals in exchange for a substantial investment. These programmes have proliferated, particularly in the last decade, with demand for alternative residence and citizenship rights now driving thousands of individuals to apply for them each year.

Supply has increased, too, with a host of new investment migration programmes emerging around the globe. At the beginning of 2019 there were programmes in nearly 100 countries, more than half of them set up since 2000.1

While the citizenship programmes of small island nations have dominated the narrative and the news, it is large economies that account for the bulk of investment migration activity, with major global players such as the United States, the United Kingdom and the European Union participating in the industry since its inception.

In fact, the US’s EB-5 Immigrant Investor Program, established in 1990, is the world’s largest investment migration programme. It offers permanent residence in exchange for an investment of $500,000 to $1m in a new commercial enterprise that boosts job creation.2

Between 2014 and 2015, capital investment and related spending from the EB-5 programme contributed $33.6bn to the US economy and generated $4.2bn in tax revenues. The programme supported 207,000 jobs in those two years.3 Despite significant pushback from anti-immigration forces within the Trump administration, in March 2018, the US Congress voted to extend the programme.4 Advocates for the programme argue that it is consistent with the nation’s founding idea of attracting talented individuals from around the world.

The US is not alone among high-income nations with such programmes. More than 36,000 investor visas were issued globally in 2014, and a small group of high-income nations—the United States, Canada, the United Kingdom, Hong Kong and Australia—accounted for more than 80 percent of them. Most Western nations operate some type of investment migration programme.5 Canada established its Federal Immigrant Investor Program in the 1980s, followed by the US and the UK in the next decade. New Zealand, Australia and Singapore followed suit.6

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2 “About the EB-5 Visa Classification”, U.S. Citizenship and Immigration Services.
3 “Economic Impact of the EB-5 Regional Center Program”, IIUSA, September 2018.
Some nations are beginning to move from residence-by-investment, as is the case with the US programme, to citizenship-by-investment. Austria, for example, now grants citizenship in exchange for substantial financial contributions.7

The latest available figures suggest that by the end of 2018, approximately 40,000 passports had been issued via citizenship-by-investment since the time that the first programmes came into being.

Investment migration is by no means a new phenomenon, however. The idea of exchanging investment in a country for citizenship dates to Roman times, when citizenship was granted to neighbouring and conquered peoples, often in exchange for money, to “Romanize” them and strengthen the empire.8

Today, citizenship-by-investment has grown into a roughly $3bn industry, while residence-by-investment—which is slightly more difficult to approximate—most likely exceeds tens of billions of dollars each year, according to Dr Christian Kälin, chairman of citizenship advisory firm Henley & Partners and one of the world’s foremost experts on investment migration.

“The investment migration industry is in a period of evolution and growth, with residence- and citizenship-by-investment now part of every savvy investor’s vocabulary. For millions of people, the confines of the state are no longer the limit of their ambitions and possibilities,” says Dr Kälin. “Mirroring that trend, the number of investment migration programmes is increasing steadily as governments tap into their potential to boost capital and talent inflows.”

Looking ahead, the International Monetary Fund expects continued growth in the investment migration industry: “These programs are increasingly being mainstreamed, as high net-worth individuals consider citizenship/residency as a means to improving international mobility, tax planning, and family security while also seeking investment opportunities.”9

But if investment migration is a legitimate, established phenomenon—and a rapidly growing one—the reasons for this transcend financial and security concerns.

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7 Ibid.
Growing Globalism

The modern idea of citizenship emerged in the nineteenth century along with the nation-state and it has persisted since. Rising states worked to create “nationalities” that moulded individual notions of identity to suit the needs of the state. “We have made Italy, now we must make Italians,” Massimo d’Azeglio, a pioneer of Italian unification, said in 1861.10

In recent decades, however, many individuals have begun to see this notion of national citizenship as limiting in terms of travel, economic liberty and culture. And large segments of the global population—far beyond the jet set—have also expanded their notions of community to include the entire globe.

Polling data support these conclusions. A Pew Research Center poll of more than 14,500 people in 14 countries found that people generally place a low premium on a person’s nation of birth. Just 13% of Australians, 21% of Canadians, 32% of Americans and 33% of Europeans believe a person’s birth nation defines their nationality, according to the poll, which was published in 2017.11 Similarly, a BBC World Service poll in 2016 found that more than half (51%) of the 20,000 people surveyed across 18 countries consider themselves more as ‘global citizens’ than as citizens of a specific country.12

Certainly, some governments are resisting this globalist view of identity, instead reinforcing narrow ideas of citizenship and riding a populist wave to become more insular. Yet the proliferation of investment migration programmes in recent years makes clear that many nations are embracing the idea that it is well worth bestowing citizenship on carefully vetted individuals who bring benefits that include—but aren’t limited to—capital, connections and talent.

While nations granting citizenship in return for investment is an economic transaction without regard to ethnicity or heritage, the transaction is safeguarded by rigorous background checks and due diligence—mechanisms that have evolved in tandem with the alternative model of citizenship being pioneered by the investment migration industry.

Future-Proofing for Investors

Alternative residence and citizenship represent the most direct routes to global mobility, flexibility and access. As such, for families looking to protect the wealth they’ve accumulated, alternative citizenship is an insurance policy—or a “future-proofing” mechanism—for the twenty-first century.

“Families with multiple passports or residence permits benefit from each country’s best practices and are less vulnerable to a single country’s risks, shortcomings and unexpected changing fortunes,” says Dr Kälin. “The more jurisdictions a family can access, the more diversified their assets will be and the lower their exposure to both country-specific sovereign risk and global volatility.”

High-quality nationalities deliver precisely that level of access. Nations within the European Union, for example, offer access to its 28 member states and many other countries associated with its freedom of settlement and travel regime.

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—Dr Christian Kälin, Group Chairman of Henley & Partners

Key benefits of holding additional citizenship:

- Expanded global mobility and the right to frictionless travel to an expanded set of countries
- Personal security for individuals and their families in times of civil unrest, conflict and terrorism
- Access to career, educational and cultural opportunities on a global scale
- Ease of global asset diversification
- Reduction of sovereign risk associated with a single nationality
A Win-Win Solution for Governments

For nations that responsibly offer citizenship or residence to individuals, benefits flow both ways. The foreign direct investment from investment migration programmes results in new capital flows both to the public sector—in the form of government donations, increased spending, tax revenue or treasury bond investments—and the private sector, in the form of investments in businesses, start-ups and real estate.

“Immigrant Investor Programs are a site of vibrant policy experimentation and growth,” according to research on “Re-thinking Immigration Investment Funds” published by the University of Oxford in 2016. These programmes have the potential to advance two important policy objectives, the authors write. First, “attracting new financial and human capital to support government budgets and developmental agendas” and second, “cultivating economically engaged citizen-entrepreneurs who can drive economic growth and innovation”.

“International migration has both direct and indirect effects on economic growth,” according to the OECD. “There is little doubt that where migration expands the workforce, aggregate GDP can be expected to grow.”

And the capital inflows from investment migration programmes can serve as a lifeblood for developing, recovering and transition economies. These countries often lack the manufacturing or natural resources needed to attract foreign capital (often both), and so find themselves at the mercy of international capital markets and drowning in debt.

Attracting wealth through residence- and citizenship-by-investment programmes is a burgeoning way to create a type of “sovereign equity” for these nations, allowing them to offer global mobility to high-net-worth individuals in exchange for the capital so critical to their growth and development.

14 “Is migration good for the economy?” Migration Policy Debates, OECD (May 2014).
From the Caribbean to the Mediterranean

Despite such arguments, the future growth of the investment migration industry—and the benefits it can bestow on states and persons—is not obstacle-free. Resurgent notions of patriotism and nationalism are strong emotions that need to be countered with legitimate success stories.

The Caribbean twin-island nation of St. Kitts and Nevis offers such a story. A citizenship-by-investment programme was a lifeline for St. Kitts and Nevis, which saw the end of its primary industry, sugar production, in 2005 after losing preferential access to European markets. With the help of Henley & Partners, the country’s struggling citizenship-by-investment programme was restructured and relaunched in 2006, revitalising its economy.

In 2006, receipts from the programme constituted about 1% of the country’s GDP; by 2015 the figure had risen to more than one-third of GDP. This success spurred similar programmes in other nations around the globe, including Antigua and Barbuda, Grenada and Cyprus.

“Significant inflows into St. Kitts and Nevis, particularly after 2010, have helped boost public and private sector construction and raise economic growth, pulling the country out of a deep recession,” according to a 2017 report by the International Monetary Fund. A similar programme in Dominica helped that hurricane-devastated nation finance post-storm infrastructure, service debt, promote employment and build up buffers, according to the report.

Indeed, the socio-economic benefits that accrue from citizenship-by-investment programmes warrant serious attention. From helping to establish a Poverty Alleviation Programme and Water Sector Investment Plan in St Kitts and Nevis, to funding an award-winning 10 MW

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—Hon Dr Joseph Muscat, Prime Minister of Malta

clean-energy project cluster in Antigua and Barbuda, citizenship-by-investment programmes consistently furnish host nations with tangible material improvements to the lives of their citizens.

A landmark in the citizenship-by-investment industry came with the creation of Malta’s programme in 2014. It became the most successful and reputable programme in the world, raising more than $1bn within 18 months of its launch—for a $10bn economy.

“As a result of the programme, interest in Malta among global investors is at an all-time high and ideas for mutually beneficial partnerships are flourishing,” says the Hon Dr Joseph Muscat, Prime Minister of Malta. “One of the factors contributing to Malta’s success is that the venture was always as much about attracting rare talent to our community as it was about attracting foreign investment to our economy.”

Investment migration programmes have been a particularly effective security measure for smaller economies that would otherwise struggle to compete globally. “In some small states, large [economic citizenship programme] inflows could have significant spillovers to nearly every sector,” according to the International Monetary Fund.18

Clearly, the economic, social and human capital such programs can deliver are difficult to dispute.

Key benefits of offering alternative residence and citizenship programmes:

- Increased tourism
- National debt reduction
- Economic growth and job creation due to increased investment
- New skills and rich global networks that arrive with new citizens
- Real estate sector growth and associated construction industry expansion
- Infrastructure development

Evaluating Nationalities

All nationalities and citizenships are not of equal value, however. In fact, extensive research into the subject has produced an objective ranking of nationalities, one that goes far beyond the size of a nation’s economy. Small economies—Lithuania and Romania are prime examples—have nationalities of great value, while China is an economic behemoth that offers a nationality of modest value.

Citizenship scholar Prof Dimitry Kochenov has compiled data on the quality of citizenship for all nations since 2012, and for the past three years has partnered with Dr Kälin and Henley & Partners to publish the annual Henley & Partners – Kochenov Quality of Nationality Index (QNI).

The index is a product of several distinct attributes of each nation, from its economic strength and levels of human development and stability, to the number of other nations to which its passport provides travel and—crucially—settlement access. This last is a primary reason that an EU member like Malta ranks so high (23rd in the latest Quality of Nationality Index). Visa-free access is one thing; the right to settle, work and do business freely quite another.

“Our nationalities have a direct impact on our lifestyles and on our freedom to think independently, do business, and live longer, healthier and more rewarding lives,” says Prof Kochenov, whose forthcoming book Citizenship: An Alchemist’s Promise will be published next year by MIT Press.

“The reality that the QNI describes is, in many respects, regrettable: In the majority of circumstances, our nationality plays an important role in establishing a highly irrational ceiling for our opportunities and aspirations.” He adds that investment migration has emerged as a popular and durable phenomenon to allow people with financial resources, yet born into low-quality nationalities, to improve their lives.

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—Prof Dimitry Kochenov, Chair in EU Constitutional Law at the University of Groningen
Looking Ahead

Seven decades of rapid globalisation have positioned investment migration not as a fringe phenomenon but as the most reliable form of future-proofing for individuals and states alike, poised to become a fact of modern life.

To future-proof itself and preserve and expand access to investment migration, the industry has worked to create new standards to regulate both new and existing programmes. The non-profit Investment Migration Council, of which Prof Kochenov is chairman, sets standards on a global level and interacts with other professional associations, governments and international organisations—including, most recently, the OECD—in relation to investment migration.

As a rapidly growing industry—and one that runs counter to populist notions of migration—the field of investment migration has its own particular set of challenges. First, it has attracted a number of poorly run and inexperienced companies and agents that have been drawn primarily by the short-term financial rewards of residence- and citizenship-by-investment programmes. Second is the associated media attention that such entities generate, which threatens to taint the reputations of well-behaved industry actors offering legitimate individuals the global mobility they seek.

Accountability is paramount, however, and overcoming these challenges is the industry’s own responsibility. Therefore, a strong culture of self-regulation and due diligence is essential to the industry’s continued success and sustainability. It is imperative for the industry to weed out the cowboys and generally raise the barriers to entry. It must comply with recommendations of independent bodies and improve transparency. And it must demonstrate to the public the enormous benefits of investment migration programmes to nations that establish and run them responsibly.

“We understand these dangers intimately and we actually encourage transparency and enquiry into what the industry does so that there is less misinformation about it,” says Dr Kälin. “The reality is that CBI programmes bring massive economic and social benefits to host nations for the relatively small cost of naturalizing a strictly vetted selection of highly-qualified candidates.”

Despite growing globalism, some jurisdictions with re-emerging nationalist and anti-immigration attitudes will view “global citizenship” unkindly at best and, at worst, will seek to curb it. This phenomenon will render a second passport vital for many investors and other high-net-worth individuals, especially those looking to escape new constraints imposed by their fellow citizens and leaders on their travel and economic liberties.

“The investment migration industry acts as a counterbalance to retrograde notions of nationality,” says Dr Kälin. “It has emerged and grown to serve those who favour a borderless world, where individuals, ideas and capital flow freely between nations.”
Henley & Partners is the global leader in residence and citizenship planning. Each year, hundreds of wealthy individuals, families and their advisors rely on our expertise and experience in this area. Our highly qualified professionals work together as one team in over 30 offices worldwide.

The concept of residence and citizenship planning was created by Henley & Partners in the 1990s. As globalization has expanded, residence and citizenship have become topics of significant interest among the increasing number of internationally mobile entrepreneurs and investors whom we proudly serve every day.

The firm also runs a leading government advisory practice which has raised more than USD 8 billion in foreign direct investment. Trusted by governments, the firm has been involved in strategic consulting and the design, set-up and operation of the world’s most successful residence and citizenship programs.

### The Firm of Global Citizens

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