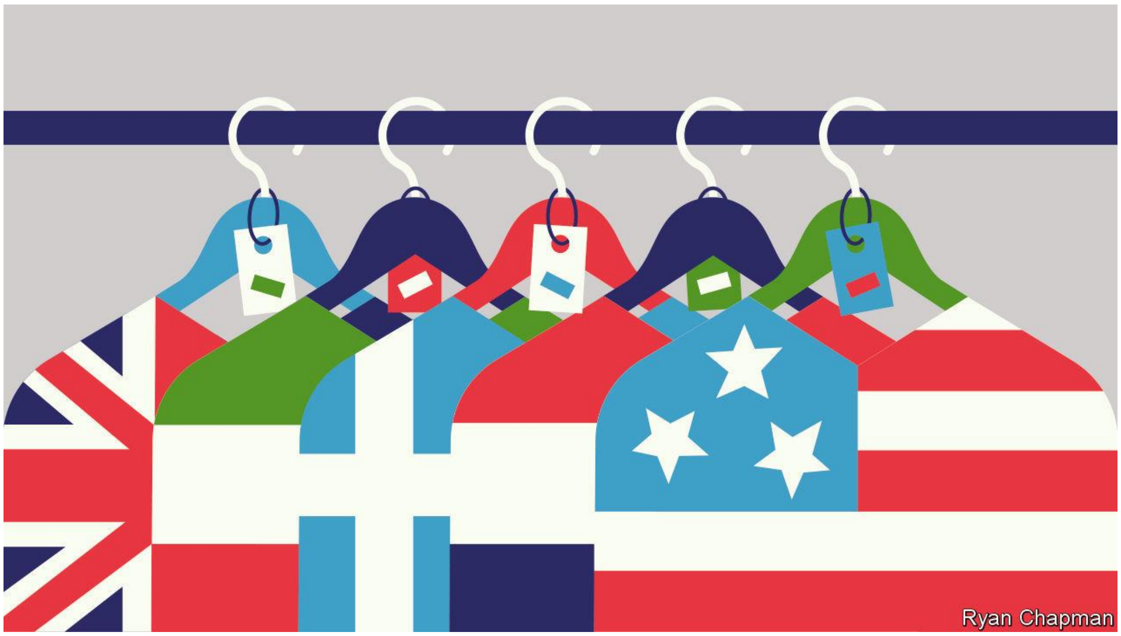
**A home in the country**

# Selling citizenship is big business—and controversial

*It is easy money for small countries, but it also attracts criminals*

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"I BOUGHT an island" is the simple answer given by Thaksin Shinawatra, former prime minister of Thailand, as to how he became a citizen of Montenegro. Deposed in a coup in 2006, Mr Thaksin was stripped of his Thai passport. Hence his need for another one. At one point he seemed to be collecting them. A colleague once claimed he had six. His Nicaraguan one, he says, has lapsed.

If "home", as Robert Frost, an American poet, put it, is where, when you have to go there, they have to take you in, Mr Thaksin is one of many to find that the home he inherited at birth is not enough. The number of "investment migrants" is growing. Thousands of passports are bought and sold every year, almost always by the wealthy. The number of commercially acquired residence permits runs into the hundreds of thousands. A burgeoning "CRBI" industry (citizenship and residence by investment)—of consultants, lawyers, bankers, accountants and estate agents—is busy advising well-heeled investors, chafing at the constraints of their paltry single citizenship, on how and where they can acquire another, or at least a long-term resident's visa.

The industry, however, is under a cloud. It is suspected of commercialising and trifling with rights and privileges that patriots regard as sacred; and of making life easier for crooks and terrorists. For the European Union in particular, the issue is delicate. It touches on one of the most "national" of competences—who lives in a country and bears its passport—yet has Union-wide consequences. An EU-member-country's passport is also an EU passport; a "Schengen" visa grants access to 22 EU members and four other countries.

**Citizenship as commodity**

To meet the demand for long-term visas and passports, more and more countries are flaunting their attractions. About 100 offer a "residence by investment" programme. Over a dozen offer citizenship—including five Caribbean island-states, Vanuatu, Jordan and, within the EU, Austria, Cyprus and Malta. The latest entrants to this market are Moldova, which in July signed a contract with a consortium that will design its citizenship-by-investment scheme, and Montenegro itself, which in the same month announced it would in October launch its own formal programme. The modern business tends not to mention one of its pioneers, the Kingdom of Tonga in the South Pacific, which in 1983 began selling passports for a few thousand dollars with few questions asked. Today the CRBI business traces its ancestry to a law passed in 1984 in tiny St Kitts and Nevis, offering citizenship to foreigners who made a "substantial" investment. Today its population is about 50,000. Half as many outside the country hold passports.

Even more important to the industry's scale, in 1986 Canada introduced a residence-by-investment programme. It proved a magnet for Hong Kongers nervous at the impending handover to China in 1997. Canada withdrew its federal scheme in 2014, but, at the provincial level, Quebec continues to offer one. These days, mainland China remains the main market for most schemes.

Other countries followed Canada, including, in 1990, America, which introduced EB-5 visas, requiring investment of at least $1m, or at least $500,000 if into a "targeted" area of high unemployment. The total size of the CRBI business is unknown. The Investment Migration Council (IMC), a lobby group, estimates that 5,000 people a year acquire a citizenship this way, investing some $3bn. Far higher numbers are tied up in the "residence" business. America alone, for example, issues about 10,000 EB-5 visas each year. Henley and Partners, a CRBI consultancy that advises both governments (including Malta and Moldova) and migrants, says it has facilitated more than $7bn in foreign direct investment.

Businesses which took part in the IMC's annual get-together in Geneva in June reported buoyant demand. But, of the two most popular destinations, Canada's federal programme is closed, and America's EB-5 scheme has a waiting list for Chinese applicants estimated at 18 years. Demand is rising in countries such as Brazil, India, Russia and Vietnam. Chad Richard Ellsworth of Fragomen, a New York law firm specialising in immigration, believes that the investment route is becoming more popular, because of the "restrictionist environment" affecting other ways of securing residence abroad, such as asylum and work visas.

That environment, however, also colours views of investment migration. At a time when immigration is controversial, the idea that residence rights and even citizenship can be acquired for cash strikes many as unsavoury. The numbers involved are trivial compared with total migration flows. In 2016, for example, 863,000 non-EU citizens were granted EU citizenship; every year America naturalises 700,000-750,000. But investment migrants embody the freedoms available to the winners from globalisation. So they are an obvious target of the backlash against it: the kind of people that Theresa May, Britain's prime minister, once dismissed as "citizens of nowhere".

**Shopping for this year's passport**

The fact that some of the passport-queue-jumpers are crooks makes the business even more unpopular. "Allowing cheats and criminals to buy residency is a scandal," harrumphed a column in the *Times* of London in June. Nowhere now is as lax as Tonga once was, but the suspicion lingers that this is a business where money helps dodgy people cut corners. Low Taek Jho ("Jho Low"), a Malaysian-born financier wanted in connection with the looting of 1MDB, a Malaysian state investment fund, is now a citizen of St Kitts. Mehul Choksi, an Indian billionaire wanted in connection with a $2bn fraud at Punjab National Bank, moved in January to Antigua and Barbuda, where he has been a proud citizen since last year.

EU-member schemes have also been controversial. In 2014 the European Parliament passed a (non-binding) resolution that EU citizenship should not have a "price tag". Malta's scheme has attracted the most scrutiny. The assassination in a car-bombing last year of Daphne Caruana Galizia, a campaigning journalist, drew attention to her multifarious allegations of government corruption. Of the many legal actions (including 47 libel suits) she faced at the time of her death, one was a letter from lawyers for Henley and Partners, architects of the citizenship programme.

Both the EU and the OECD, a club of rich countries, are looking leerily at CRBI schemes. Later this year, the European Commission, the EU's executive, is to publish a report on those offered by EU members. The industry fears the worst. In August Vera Jourova, the justice commissioner, told *Die Welt*, a German daily, that the Commission was "extremely concerned". "We don't want any Trojan horses in the EU," she said.

The EU also takes a dim view of other countries that use visa-free access to the EU as an inducement to investment migrants. It has yet to punish any country with the most obvious sanction—withdrawing visa-free access, as Canada has done with St Kitts, Antigua and Barbuda and others. But the EU is introducing online travel-authorisation requirements even for foreigners who do not need visas.

Meanwhile, the OECD is concerned that these schemes can be used to circumvent its efforts to crack down on tax evasion and money-laundering. It argues, for example, that a tax evader can dodge reporting rules by taking citizenship or residency in a second country and opening a bank account in a third, claiming tax residence in the second, without mentioning any connection with the home country. Early this year it conducted a public consultation on what to do about CRBI schemes. The next article describes one such arrangement, in the United Arab Emirates.

Speaking on the margins of the IMC's annual forum, Christian Kälin, Henley's chairman, plausibly argued that the industry saw regulation as both inevitable and welcome. Indeed, the forum itself seemed designed to burnish its credentials as respectable—even virtuous.

This claim rests on a three-pronged argument. The first points to the economic benefits to the countries running CRBI programmes. As Henley's Paddy Blewer puts it, they are boons to "small countries with limited industrial capacity looking to kick-start their economies". Not only do they attract investment directly, they bring in rich people who may well invest more and, more generally, put the country on the global map of the wealthy.

An often-cited example is Dominica, devastated in late 2017 by Hurricane Maria, following the havoc wrought by Tropical Storm Erika two years earlier. The IMF calculates CRBI income in the country at 10% of GDP and 16% of government revenue. Without it, recovery would have been even harder. Another avowed success story is Malta, where the investment-migration industry claims some of the credit for strong recent economic performance. Its Henley-designed scheme is closest to a simple passport-for-sale model, requiring a one-off non-refundable "contribution" of €650,000 ($765,000).

Requiring investment is a more uncertain way of raising money—it can be taken out, after all. And even Mr Thaksin, for example, says he has "not had the time" to develop his Montenegrin island. But pure sales schemes are politically unpalatable, even in Malta, where other requirements were added—to buy or rent property, for example, and invest €150,000 in approved shares or bonds. Mr Kälin says part of Henley's expertise lies in calibrating the sums involved: "Set it too high, and you only get shady oligarchs." (Like Cyprus, Malta appeals to Russians.)

The second argument is the benefit to the migrants themselves, portrayed as those Bruno L'écuyer, chief executive of the IMC, calls "unlucky in the passport lottery of life". Many CRBI customers simply want the ease of movement some passports offer. Of those actually moving country, many have legitimate reasons to want residency elsewhere—fear of political persecution, for example, or simply wanting to send their children to better schools abroad. Both of these are common motives in the biggest market, China. The industry presents itself as defending liberalism and globalisation at a time when they are under threat.

The third strand of the argument covers those who want passports or residency rights for less pure motives: to dodge taxes or the police, to launder ill-gotten money or, at worst, to engage in terrorism. To counter the perception that these are the clients countries are seeking, the main topic at the Geneva forum was how to weed such applicants out. Delegates spoke of due diligence, "know your customer" and other checks. Jonathan Cardona, the director of Malta's programme, says it has approved more than 900 passports in four years, but rejected 22% of applicants, mainly because of a "lack of clarity" about the source of their wealth. That is a high percentage, suggesting that the bar set for applicants is high, or that they include a large number of the shady; or both.

Clearly, it is not in the interests of the industry to be seen as an accessory after the fact to illegal activity. So there is little reason to doubt that the respectable end of it is serious about its due-diligence procedures—up to a point. Only about half the countries in the world allow their citizens to hold dual nationality. China is not one; and it has strict exchange-control rules. It seems unlikely that all Chinese investment migrants have alerted the authorities to their plans, or gained permission to take the money out.

So due diligence seems to cover only some countries' rules. If and when more regulation comes, this distinction will be hard to codify. But as ever more countries jump on to the CRBI bandwagon, competition will intensify. Moldova, for example, says one of its advisers is likely to try to win customers by setting the investment-price lower, and offering speedier processing. The question of how to keep out the undesirable will become more urgent.