



Why one-percenters spend billions on foreign passports

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A growing number of countries offer individuals passports in return for investment, and the wealthy have been taking advantage of such programs in increasing numbers. Photo by Juan Carlos Ulate/Reuters

As migration and inequality continue to get significant attention from U.S. presidential candidates, it is worth noting a [rising phenomenon](#) at the intersection of these two topics: economic citizenship. A [growing number](#) of countries offer individuals passports in return for investment, and the wealthy have been taking advantage of such programs in increasing numbers. In 2014, the global rich [spent](#) an estimated \$2 billion acquiring nationalities.

The Caribbean is the global capital of “citizenship-by-investment” programs. A passport from Dominica can be had in return for a \$100,000 investment. A \$400,000 real estate

investment or a \$250,000 donation to a development fund will get you citizenship in St. Kitts and Nevis. Similar sums are required for a passport from Antigua and Barbuda, in addition to five days of residency over the first five years of citizenship. In 2015, Caribbean nations [effectively sold](#) an estimated 2,000 passports through citizenship-by-investment programs, up 100 percent over the past five years.

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But it's not just Caribbean nations hawking passports. Cyprus, for instance, offers citizenship in return for a minimum real estate investment of 2.5 million euros. Further, not all countries sell citizenship outright. Some, including the United States and the United Kingdom, offer residency — and a path to citizenship — to wealthy investors. In the U.S., for example, [aspiring citizens who invest \\$500,000 and create 10 jobs can apply for an EB-5 visa](#). The U.K. [requires](#) an investment of at least 2 million pounds. Both countries expect investors to spend roughly half the year in residence for several years before applying for citizenship. And almost all economic citizenship programs have fees that are paid directly to governments in addition to the required investment.

So why is the market for passports booming? Some point to the efforts of a Swiss lawyer named Christian Kalin, a [man labeled by Bloomberg as the “passport king.”](#) Kalin's firm, [Henley & Partners](#), is the world's leading citizenship planning firm and also advises countries on how to design these programs. The firm was a sleepy immigration consultancy that also helped with wealth management. But then in 2006, Kalin advised St. Kitts and Nevis on setting up its economic citizenship program, and the results were stunning.

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By selling passports, St. Kitts and Nevis [slashed](#) its “debt from 164 per cent of GDP in 2010 to 104 per cent of GDP at the end of 2013.” By 2014, passports were the country's [biggest export](#), money associated with the passport business accounted for at least 25 percent of GDP, and the development it spurred on the islands led to what some were calling a real estate bubble. Other indebted nations took notice of Kalin's ability to create a resource for a country that didn't have any. The supply of passports for sale ballooned.

But demand also boomed as investors sought second passports in record numbers. Many are fleeing domestic instability, whether war or political uncertainty. Unrest in the Middle East has been a [driving factor](#) in the popularity of economic citizenship programs: Henley & Partners notes its business has [doubled](#) since the start of the Arab Spring. Even more important has been the outflow of wealthy Chinese and Russian citizens, who [dominate](#) citizenship-by-investment and related programs, according to the IMF. For example, 80 percent of American EB-5 visas go to Chinese nationals, while Russian and Chinese “investors” buy roughly 50 percent of the passports sold by St. Kitts and Nevis.

A second passport is more than a means of escape and a hedge against uncertainty. It can enhance the mobility of nationals from diplomatically-fraught countries — especially in a post-9/11 world. [Passports](#) from Iran, Iraq and Pakistan, for example, will get you into fewer than 40 countries without a visa (just behind North Korea), while a passport from St. Kitts and Nevis will get you into 131. The very best passports, including those from the U.S., U.K. and Canada, will get you into 170 or more.

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Of course, this added mobility might also be used to break the law. In 2014, both Canada and the United States [condemned](#) the citizenship-by-investment program run by St. Kitts and Nevis for helping Iranians skirt sanctions. The island nation, seeking to protect its cash cow, recalled thousands of passports and implemented higher standards.

Another reason wealthy investors might want to pursue economic citizenship is for [tax purposes](#). Americans living abroad, for example, are required by law to pay taxes in the United States. Trading in a U.S. passport for one from St. Kitts and Nevis would lower one’s tax rates to zero percent on income and capital gains. Of course, to do this requires an American to renounce his or her citizenship.

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So what does the future hold for the economic citizenship market? Given unprecedented global economic and political instability, it seems likely that demand for passports among the global elite will remain strong for years to come. But at the same time, an increasing

number of indebted nations will look to economic citizenship programs as a means to attract capital. One result may be lower costs for a passport; another might be lowered diligence standards that ultimately provide evildoers greater security and enhanced mobility.

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Whatever happens, the passport market is, [along with art markets](#), a fascinating indicator of confidence levels among the global elite. One way to interpret alternative citizenship is as an insurance policy. And as any insurance underwriter will note, a sudden surge in coverage is not a good sign. For this reason alone, it's worth watching the evolution of this market.



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