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EU members consider selling residency to attract wealthy Chinese

Financially troubled EU countries are reaching out to wealthy foreigners - particularly from China - to offer residency in return for investment.

Jason Wu of Shanghai says he loves Portugal's scenery and climate. He admires Europe's education system. He's so enamoured that he bought a 1,200-square-foot apartment in Lisbon's riverside Parque das Nacoes district for €520,000 (HK\$5.5 million), which gave him another benefit: permanent residency in the European Union.

To help attract foreign investment and boost the economy after a €78 billion International Monetary Fund and European Union bailout in 2011, Portugal's government introduced a so-called golden visa programme in October 2012. The scheme offers residency and work visas to families who invest more than €500,000 in local property or upwards of €1 million in local businesses.

Most developed countries have investment immigration schemes, but they tend to target prospects who can create jobs, such as entrepreneurs. But since the global financial crisis, more countries have introduced investment programmes in which qualifying is as easy as buying a piece of real estate.

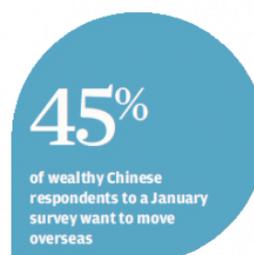
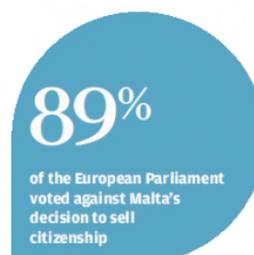
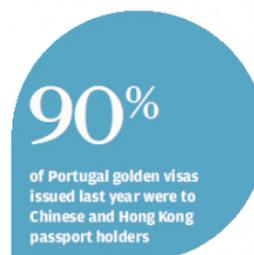
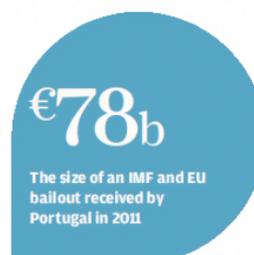
As Europe's economy struggles to recover, offering permanent residency to rich foreigners from fast-growing markets like China is seen as a great way to attract capital and boost employment.

Last year Hungary offered permanent residency to investors willing to lock €250,000 into a five-year government bond. More recently, Greece and Cyprus launched property investment schemes linked to residency visas with a minimum requirement of €250,000. Holland also started a similar programme aimed at boosting employment, with investors needing to commit €1.25 million in local businesses that are expanding to qualify for residency status.

Generosity has its limits: the visa programmes typically require that the holders maintain their investments. Should someone sell his property or business, he would lose his new visa.

Visa agents are hunting for new clients among wealthy mainland Chinese seeking clean air, better education opportunities for their children, and the freedom to travel that a foreign passport confers. Agents are targeting rich Russians and Southeast Asians, as well.

Their China focus is working. Mainland Chinese and Hong Kong passport holders received 90 per cent of the 560 golden visas issued between the scheme's creation in late 2012 and October 2013, investing more than €280m into the economy.



In many cases, the breadwinner sends his spouse and children overseas while remaining in China to work. Foreign residency can also provide benefits including taxpayer-funded education and health services, and wider investment and employment opportunities.

"I really like the education system," says Wu, who lives with his family in China. "And in the future my children will go to Portugal to study ... for their growth."

Wu says that the depressed price of Portuguese property makes an attractive investment.

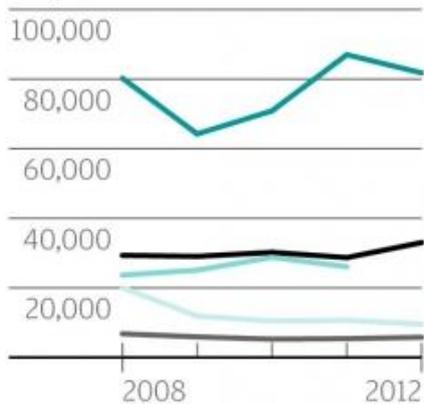
Residency requirements for investment-visa holders differ among the various European countries, including language aptitude, length of stay, working rights, and the ability to convert visas to full citizenship.

The schemes demonstrate a willingness to use visas and passports as tradable commodities. And that has opened the concept to criticism.

New arrivals

Inflows by Chinese Born Nationals into respective countries

— US — Australia — Canada
— Spain — New Zealand



Sources: US DHS, AU IMMI, CIC, INE, NZ MBIE

Many Europeans say that investment visas essentially put a nationality up for sale. And nowhere has the arrangement drawn more ire than in Malta.

While most schemes require a multi-year holding period before an applicant can apply for a full passport, Malta recently launched a programme that upsets this unwritten rule. For a €650,000 donation to the country's national development fund, a foreigner can purchase a Maltese passport, giving him European Union citizenship.

The programme sparked debate in the Maltese parliament in part because it raised wider questions about nationality and its values.

Last month, Malta was criticised by the European Parliament when 89 per cent of its members voted against the measure, saying EU citizenship should not have a price tag.

"Citizenship is not a commodity which is bought off the shelf of a supermarket. It is the result of one's link with a country," says Carmel Cacopardo, deputy chairman of Malta's Green Party. "Hence, the need to establish a reasonable period of residency as a pre-condition to acquire citizenship."

The attraction of Spain

The majority of European governments appear to be balancing a desire for inward investment with more stringent conditions attached to full citizenship. Last September, Spain launched a golden visa programme, which began as a scheme that was nearly identical to Portugal's.

"Spain needs the money. It is a hard moment," says Elvira Jimenez, an international business adviser in the Hong Kong office of law firm Net Craman, which helps clients complete investment-visa applications.

Jimenez says she's preparing to take a group of prospective mainland Chinese visa applicants to visit Spain this spring. Two clients are buying hotels and one is looking to acquire a publicly listed Spanish wine producer - all investments that will ensure the clients qualify for visas.

"Spain is in a good position," she says. "Chinese people like Spanish food, Spanish brands, Spain is a new attraction. Maybe a little exotic."

Pollution, education and living conditions are all concerns among elite Chinese. But the biggest anxiety is politics, says Tony Tong Choy-bun, founder of Hong Kong based immigration agent NWID Consultants.

Since starting his firm, Tong says he has handled 75 cases and estimates that 80 per cent of his clients have a net worth of more than HK\$200 million. "If you ask your client why they immigrate they say for the children. But the main concern is political," says Tong. He refers to an often opaque business climate where personal political connections can build or destroy a company.

Many Chinese would leave China if they could. A survey of China's middle class, published in January by research analysts CLSA, found that 45 per cent of respondents with an annual disposable income of more than HK\$150,000 wanted to move overseas. Canada and Australia were voted the most popular destinations. Europe, excluding Britain, was number five on the list. Another recent survey of 393 Chinese worth HK\$12 million or more found that 64 per cent were considering emigrating, according to research group Hurun Report. Europe, including Britain, was ranked the second-most popular destination after the US.

The yen to move is a boon for emigration specialists and their investment partners. When presenting Portuguese property to Chinese clients, Chris Liem, owner of real estate agency Engel & Volkers Hong Kong, likes to highlight the pristine beauty of the coastline. "Portugal offers the fastest and most convenient route for investors to receive a European passport and gain access to the educational, medical and work benefits of European residency," he says.

Liem says that 80 per cent of his clients buying Portuguese property are also applying for a golden visa. In Spain, the percentage is lower because of the relatively recent launch of the visa scheme. He says his Chinese clients are asking about linking properties to visa rights in Greece, but there have been just a few transactions.

The visa application business presents a new income stream for firms that handle the work.

The Maltese government has appointed a single agent, the Zurich office of Henley & Partners, a so-called citizenship planning firm, to process all applicants under its new investment scheme. The firm stands to earn a 4 per cent commission on the investable sum and will charge a further €70,000 fee for the principal applicant, plus a reduced fee for dependants.

Malta's actions - as well as those of other European countries - have triggered rigorous debate among EU officials. Viviane Reding, vice-president of the European Commission, told a January gathering of the plenary session that naturalisation decisions taken by one member state affect the other states.

"Member states should only award citizenship to persons where there is a 'genuine link' or 'genuine connection' to the country in question," Reding said. "Let me raise the question: do we like the idea of selling the rights provided by the EU Treaties? Certainly not. Citizenship must not be up for sale."