Citizenship Diversification is Vital in the Covid Era

The seismic shifts caused by Covid-19 has spurred many individuals, institutions, and governments to re-evaluate the status quo and consider new options. The pandemic is also causing many advanced nations to look inwards and prioritize their own needs. In addition to negatively impacting on the global economy, this is creating significant hurdles for cross-border mobility, effectively putting a straitjacket on people's ability to pursue the best options for their businesses and their families. Just four years ago at a Henley & Partner's conference in Hong Kong, the American entrepreneur and investment magnate Jim Rogers predicted that over the next two decades, being limited to only one citizenship could become a cause of suffering. Now, just a few years later, these prophetic words have come true.

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BY:
DR. JUERG STEFFEN
Chief Executive Officer, Henley & Partners

Rising nationalism as borders are fortified

Covid-19 cannot be blamed entirely for the upsurge in protectionist tendencies - they had already begun to surface well before the pandemic was declared. Several countries had pivoted in their approaches to foreign policy and international business, distancing themselves from certain other states or international entities. Brexit is the foremost example, with the UK's withdrawal from the EU seeing it bid farewell to the European single market, a move that has already impeded the free movement of people, goods, services, and capital (the four fundamental freedoms guaranteed by the EU treaties) on both sides. Only the passage of time will reveal the full consequences of such actions. And while Brexit might be the most high-profile example, the UK has not been alone in rethinking its relationship with the EU. Other countries, such as Italy, have been considering leaving the EU for several years.

The disruptions and turbulence resulting from such policy changes and the associated political uncertainty that ensues can quickly have repercussions for a country's economy. For example, Hong Kong's economy has suffered since the introduction of the new national security law just over a year ago. China, too, has seen significant companies and many affluent individuals leaving, despite its ample opportunities.

Defensive policies emerge following pandemic uncertainty

Although certain countries are cautiously easing restrictions, new variants of concern - and the highly transmissible Delta variant in particular - are causing others to reinstate lockdowns. International trade and global mobility as we knew them remain hindered, and the post-Covid future seem to keep moving just out of reach, although one can to a certain extent predict the general direction in which the world is heading. There has been much talk of the shortcomings in certain international institutions' handling of global crises, leading many countries to consider reclaiming some of the autonomy they feel they have lost owing to globalization.

DR. JUERG STEFFEN
Henley & Partners

The significant social impact of the crisis - especially on unemployment - has led to further volatility, resulting in governments considering adopting protectionist policies and encouraging them to reorganize economic activities at short notice. Owing to supply chain disruptions, some countries have decided that it would be more strategic to manufacture essential goods domestically. Experts predict that cross-border mobility will remain low for the rest of this year at least, which could intensify the move towards regionalization that we are currently witnessing.

Multiple residences reduce exposure to risk

All these events provide compelling evidence that global mobility will be obstructed for the foreseeable future, and the infectiousness of the Delta variant has demonstrated how quickly things could change again. In these times, complacency and procrastination could have serious consequences. Now, more than ever before, ensuring future access to multiple residence options and/or having dual citizenship by investing in residence- and citizenship-by-investment programs is essential for entrepreneurs and investors and their families as a means to mitigate volatility and reduce their exposure to risk - whether national, regional, or global.

Governments have had to take extreme measures to curb the spread of Covid-19, and some took liberties with the assumed rights of citizenship traditionally granted to their citizens - even in breach of international law in certain cases. For example, the initial lockdown saw EU member states closing their borders and reinstating border checks, prompting Members of the European Parliament to call for a "swift return to a fully functional Schengen Area". Earlier this year, the EU exported 77 million vaccines to 33 foreign countries as its own member states struggled with their rollout programs, raising questions and eliciting criticism from citizens. In May, Australia barred thousands of its own citizens from returning if they had been in India for the preceding two weeks or more.

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Developed economies turn to investment migration to attract new talent and wealth

Many more countries are designing and setting up residence- and citizenship-by-investment programs to attract affluent investors and talent, thereby enhancing their 'sovereign equity' - a term Henley & Partners has coined to describe investment migration's ability for endowing nations with a significant and sustainable source of revenue without increasing debt to the detriment of future generations. The capacity for countries to consolidate their sovereign equity by augmenting their populations and welcoming residents or citizens who actively contribute to their future wellbeing can also reduce inequality, both within and between states. This is uniquely facilitated by investment migration.

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A win-win for both investors and sovereign states

The main motivation behind attracting and retaining highly skilled individuals and wealthy families to host countries is to include additional residents and citizens into their national markets so they can contribute to local economies. The millionaire population of New Zealand, for example, has grown by 30% since 2016 and is anticipated to rise by 72% by 2026, partly owing to the country's exemplary management of the current pandemic. Prime Minister Jacinda Ardern announced further policy changes in May to encourage wealthy and qualified individuals to relocate to New Zealand's shores.

A growing number of countries are developing plans to diversify their economies by introducing or expanding their investment migration offerings. This year has seen Kenya, Oman, Russia, Saudi Arabia, and the UAE announcing initiatives to allow either long-term residence or citizenship for certain foreign nationals, providing they bring economic or cultural benefits to their new countries.

In response, many more countries already offering investment migration programs will meet the demand by developing additional options to appeal to high-net-worth individuals. These innovations may well become essential to ensuring their prosperity and longevity in future.

In the years to come, citizenship diversification through investment migration will prove to be a robust solution to navigating ever changing circumstances. It is a sensible, sustainable approach that creates optionality - and certainly a win–win for sovereign states and investors alike. ■