Selling Visas and Citizenship

Policy Questions from the Global Boom in Investor Immigration

By Madeleine Sumption and Kate Hooper

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Executive Summary

A growing number of countries now offer immigrant investor programs, exchanging residency rights or citizenship for a sizeable investment in their economies. From "cash-for-citizenship" to incentives to invest in private-sector businesses or property, the market for investor immigration is becoming increasingly diverse.

As governments rush to introduce the programs, interest among prospective customers is high. Growing private wealth in China and other emerging economies has fueled demand for residence rights and citizenship abroad. Motivations range from the desire to secure a faster or easier route to settlement abroad, take out insurance against political or economic upheaval at home, gain greater access to visa-free travel, or to establish residence in a low-tax jurisdiction, among others.

The market for investor immigration is becoming increasingly diverse.

Immigrant investor programs fall into two broad categories: those involving investments in the private sector and those requiring a transaction between the investor and the government.

- ***Investing in private-sector assets.*** Most countries with immigrant investor programs include an option to qualify by investing in private-sector businesses. This is the only option available in the United States, Singapore, and the Netherlands. These programs aim to create jobs by stimulating foreign investment. More recently, some countries have admitted applicants simply because they buy a private property in the country. The latter option has been popular among countries such as Latvia, Spain, Greece, and Portugal where property markets were badly affected by the late-2000s economic crisis.

- ***Giving money to the government.*** In some countries, applicants give money directly to the government in the form of a nonrefundable fee or low-interest loan. Revenues can be spent on economic development projects and other government priorities. "Citizenship-by-investment" programs are the best-known examples of this model, found in a handful of Caribbean islands and, more recently, in Malta. Other countries, such as the United Kingdom and Australia, admit investors who buy regular government bonds—a surprising policy choice since the transaction is thought to provide little economic benefit.

In theory, the benefits of investor programs are straightforward: investors obtain new residency rights, while destination countries gain revenues or job-creating investments. In practice, policymakers have often found the results disappointing. First, the economic contribution of the limited number of investors admitted in larger countries such as the United States or the United Kingdom is modest (though substantial sums can be raised by small countries with large investor programs).

Second, designing programs to maximize economic benefits can be a challenge, and rigorous empirical evidence on their impacts is usually absent. Countries that require private-sector business investments, like the United States' EB-5 program, may have little control over where and how money is invested and whether investments actually create the expected number of jobs—especially since applicants can withdraw their investments as soon as they qualify for permanent residence or citizenship. The economic benefits of other investor immigration models are hard to identify even in theory—in particular, programs based on property purchases or investments in interest-bearing government bonds, which are likely to provide limited benefits.

The clearest economic benefits come from programs that encourage cash payments to the government or national development funds. While there is no guarantee the money will be wisely spent, this model faces fewer compliance problems related to the investment itself. Another advantage is that nonrefundable donations cannot be withdrawn. However, the simple transparency of this model makes it controversial and unpopular, accentuating public concerns about whether it is appropriate to "sell citizenship."

Another controversial feature of investor programs is that not all of them can accurately be described as "immigration." Some impose no requirement to spend any time in the destination country, while others require only minimal visits of a few days per year. Such programs are often marketed for the access they provide for visa-free travel to other countries. Notable examples include citizenship-by-investment programs in St. Kitts and Nevis and a handful of other Caribbean countries, which have relatively good access to visa-free tourist and business travel worldwide; and programs in Europe's Schengen area, which investors can use as a launch pad into other Schengen countries. This model is more common in less popular immigrant destinations, where imposing a residence requirement would dramatically decrease the program's attractiveness.

For countries with minimal residence requirements, such as Bulgaria, Malta, or St. Kitts and Nevis, protecting the reputation of their programs is particularly important. Screening procedures to weed out applicants with criminal backgrounds or illegally obtained wealth help reduce reputational risks which—in a worst-case scenario—could make other states unwilling to offer visa-free travel to a country's citizens. This screening is much more thorough than most countries require for their tourist or business visas, but has inherent limits and the risk of bad apples entering through the program cannot be eliminated entirely.

The number of countries with immigrant investor programs has increased dramatically in the past decade.

Experimentation has been common in the investor-residence field. Because demand is hard to predict, many countries have adjusted criteria to raise or lower the entry bar over time. Some immigrant investor programs have proved extremely popular, while others struggle to attract more than a handful of applications. Even as more countries have introduced immigrant investor programs, popular destinations with longstanding programs, like Australia and Canada, have been reassessing their policies, looking for ways to attract immigrants who make clearer and more active economic contributions. As governments continue to review their immigrant investor routes and as new countries enter the market, their challenge will be to maintain the programs' integrity and reputation while more clearly demonstrating their economic value.

I. Introduction

For more than 30 years, governments around the world have offered residence permits or citizenship to wealthy individuals willing to invest substantial sums in their economies. The number of countries with immigrant investor programs has increased dramatically in the past decade. In the European Union about half of Member States now have dedicated immigrant investor routes, with new programs operating in countries as diverse as the Netherlands, Latvia, Bulgaria, and Spain. At the same time, growth in the number and popularity of "citizenship by investment" in the Caribbean and, more recently, in Malta has generated heated debate.[1]

Demand among prospective immigrant investors is also growing. Financial advisory firms specializing in investor visas claim a phenomenal increase in interest since 2008. After two decades of relatively low numbers in the U.S. immigrant investor program, a sudden surge in applications for the first time pushed the program toward its annual cap of 10,000 visas in 2014. At the time of its termination in March 2014, Canada's federal program had a backlog of approximately 65,000 applications, with an estimated processing time of six years.[2] Even as some countries reassess their longstanding investor routes, others are launching new and increasingly diverse programs to exchange residency rights for investments.

In practice…designing effective investor programs is tricky and governments have often been disappointed by the results.

The benefits of these immigrant investor programs are, in theory, straightforward. Prospective investors obtain new residence rights, which often bring additional benefits such as visa-free travel or favorable tax regimes, depending on the destination country. In return, destinations obtain government revenues or job-creating investments—as well as new residents with potentially valuable business expertise.

In practice, as this report will explore, designing effective investor programs is tricky and governments have often been disappointed by the results. Many investor programs have poorly defined goals, while others struggle to demonstrate a meaningful economic benefit. Investor immigration also operates in politically sensitive terrain. Some critics reject the notion of putting an explicit price on residence rights, for example, while others argue that the price is too low. High-profile cases of fraud continue to make occasional headlines, underlining the challenge of maintaining these programs' integrity.

Policymakers have taken enormously varied approaches to meeting these challenges. Program designs differ considerably by country—from the "cash-for-passports" model to the slow path to permanent residence for investors in private-sector businesses. These choices reflect governments' specific economic objectives, as well as their search for a competitive edge as the market for investment-linked visas becomes more crowded. Relying on Migration Policy Institute (MPI) research and a database of global immigrant-investor programs generously provided by the international immigration law firm Fragomen, this report provides a global overview of immigrant investor initiatives. In particular, it assesses the policy choices of governments as they develop immigrant investor visa programs based on the sometimes competing objectives of economic benefit, public confidence, and program integrity.

1 Unless otherwise stated, this report defines immigrant investor programs as policies that (1) provide a clearly delineated process for investors to make a defined financial transaction in return for residence rights; (2) offer a pathway to permanent residence and/or eventually citizenship; (3) are designed for investors, rather than exclusively for retirees; and (4) do not require applicants to be actively involved in the day-to-day management of the business. It does not cover countries, such as Austria, that can in theory offer residence or citizenship on the basis of individual contributions (including investments) but that lack a clearly delineated process to do this.

2 As described later in this report, Canada ended its investor program in 2014 because of concerns that the immigrants it admitted provided few economic benefits and had poor economic outcomes in the country after they arrived. Government of Canada, "Building a Fast and Flexible Immigration System: Government to Eliminate Backlog-Ridden and Inefficient Investor and Entrepreneur Programs," (news release, February 11, 2014), http://news.gc.ca/web/article-en.do?nid=814939.

II. How Do Immigrant Investor Programs Work?

The goals and policy design of investor immigration programs vary considerably.[3] Many of the countries that have offered investor routes are highly attractive global destinations, such as the United States, the United Kingdom, and Australia that already experience large-scale migration. Faced with high demand from prospective immigrants, policymakers in these countries typically view investor programs as a way to cherry pick the "highest-value" migrants—reassuring their publics that selective immigration policies are bringing strong economic returns. These immigrant investors may be valued for (1) the direct economic benefits of the investments they make; (2) the skills and business experience they bring; and (3) indirect benefits that may emerge as investors spend and pay taxes on their considerable incomes. In these countries, investors typically comprise a small fraction of immigration—in 2013, for example, the United States issued 8,600 EB-5 visas, comprising around 2 percent of all permanent visas issued that year,[4] while the United Kingdom's 1,600 successful applicants made up less than half of 1 percent of all immigration the same year.[5]

For countries that are not traditional immigration destinations, the calculus may be rather different. Investor applicants are not necessarily expected to settle in the country and often face minimal requirements for physical residence. In these cases, governments—particularly those in the Caribbean—rely on the programs primarily for the direct financial benefits of the investment itself, such as a cash contribution to the public budget or a national development fund.

A. Who Applies for Investor Programs and Why?

Immigrant investors typically come from emerging economies or from countries experiencing ongoing political or economic instability. China is a major source country for immigrant investors, dominating programs in the United States, Canada, Australia, and European locations like Portugal.[6] Investors' backgrounds vary by country, however, and European destinations have proved popular with Russians—for example, former Soviet Union nationals (predominantly from Russia) received approximately 95 per-

3 Terminology to describe investor programs and the resulting flows of people varies, and include "investor residence" and "investor immigration." The government of Bermuda has also used the term, "commercial immigration."

4 Numbers include both principal applicants and dependants. Data for U.S. fiscal year (FY) 2013. U.S. Department of State, Bureau of Consular Affairs, "Table V: Immigrant Visas Issued and Adjustments of Status Subject to Numerical Limitations, Fiscal Year 2013," in "Report of the Visa Office 2013," http://travel.state.gov/content/dam/visas/Statistics/AnnualReports/FY2013AnnualReport/FY13AnnualReport-TableV.pdf.

5 Numbers include both principal applicants and dependants and only include visas for initial entry, not extensions within the country; total immigration numbers exclude visitor and transit visas. Office for National Statistics, "Tables for Immigration Statistics January to March 2014," www.gov.uk/government/publications/tables-for-immigration-statistics-january-to-march-2014. See also Migration Advisory Committee (MAC), *Tier 1 (Investor) route: investment thresholds and economic benefits* (London: MAC, 2014), www.gov.uk/government/publications/the-investment-limits-and-economic-benefits-of-the-tier-1-investor-route-feb-2014.

6 Chinese nationals received 81 percent of U.S. EB-5 visas in FY 2013, more than half of Canada's Immigrant Investor visas on average from 2001-2010, between 60 percent and 70 percent of Australia's Business Innovation and Investment visas between 2009 and 2013, and a reported 75-80 percent of Portugal's immigrant investor visas. Sources: U.S. Bureau of Consular Affairs, "Table V, Fiscal Year 2013;" Citizenship and Immigration Canada (CIC), "Facts and Figures 2012 – Immigration overview: Permanent and temporary residents," www.cic.gc.ca/english/resources/statistics/facts2012/permanent/03.asp; Migration Policy Institute (MPI) calculations of data from the Australian Department of Immigration and Border Protection (DIBP), "Country Profile: People's Republic of China," www.immi.gov.au/media/statistics/country-profiles/_files/china.pdf and DIBP, "Migration Programme statistics," www.immi.gov.au/media/statistics/statistical-info/visa-grants/migrant.htm; and LUSA, "Maior parte dos vistos *gold* têm na base investimento chinês," March 18, 2014, www.publico.pt/economia/noticia/maior-dos-vistos-gold-tem-na-base-investimento-chines-1628771 and Foreign Ministry spokeswoman Francisca Seabra, cited in Henrique Almeida, "Chinese Get 80% of Portugal Property-Investor Visas," Bloomberg News, November 9, 2013, www.bloomberg.com/news/2013-11-08/chinese-obtain-80-of-portugal-visas-given-to-property-investors.html.

cent of Latvia's immigrant investor permits between mid-2010 and mid-2013.[7] According to companies that market investor programs, tumultuous political events like the Arab Spring have also created strong demand from wealthy individuals in North Africa and the Middle East.[8]

Foreign investors' motivations to obtain alternative residence rights fall into several categories:[9]

- ***Traditional immigration.*** Investor programs can be simply another way for wealthy applicants and their families to move to popular destinations, sidestepping eligibility requirements and delays found in other immigration pathways. Educating their children in these countries without paying international student fees can also be a motivation for investors.

- ***Insurance policy.*** Applicants may not want to emigrate immediately, but securing residence rights abroad keeps this option open in case of future political or economic upheaval in their homeland.

- ***Visa-free travel.*** Businesspeople and other frequent travelers can reduce the cost and time of applying for visas by gaining citizenship or residence rights in certain countries. Chinese and Iranian nationals, for example, currently can travel without a visa to just 44 and 40 countries, respectively, while citizens of Malta (which recently launched an immigrant investor program) enjoy visa-free travel to 166 countries.[10] Temporary residents of a country in Europe's Schengen area can also travel visa-free to other countries in the zone for up to six months per year.

- ***Lower taxes.*** Wealthy investors who establish residence in a low-tax country such as Singapore or St. Kitts and Nevis may be able to reduce their tax bills.

These motivations are not mutually exclusive, and some foreign investors apply for multiple programs at the same time—for example to improve access to visa-free travel in the short term while working toward citizenship in a traditional destination where they intend to settle permanently.[11]

A handful of states including Australia and Singapore require investors to demonstrate their business expertise, but in most cases this is not required. As a result, lawyers specializing in investor immigration report that the spouse or children of wealthy businesspeople often take the role of principal applicant, as they may be better placed to fulfill any residence requirements in the destination country while the family's principal earner continues business activities abroad.[12] Some destinations have resisted this trend, revising their programs to attract greater numbers of entrepreneurs and active investors with business expertise.[13]

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7 Latvijas Republikas Ministru kabinets, "Informatīvais ziņojums Par Imigrācijas likuma 23.panta pirmās daļas 3., 28., 29. un 30.punktā paredzēto noteikumu īstenošanas gaitu un rezultātiem," Draft legislation, www.mk.gov.lv/lv/mk/tap/?pid=40299034&mode=mk&date=2013-09-17.

8 Comments by Armand Arton, as cited in Dania Saadi, "Island Havens for Investment Citizenship," *New York Times*, October 31, 2012, www.nytimes.com/2012/11/01/world/middleeast/island-havens-for-investment-citizenship.html?pagewanted=all&_r=1&.

9 This analysis is based on public presentations and interviews with attorneys and consultants who advise prospective investors, from June to December 2013.

10 Henley & Partners, "The Henley & Partners Visa Restrictions Index 2014: Global Travel Freedom at a Glance," 2014, www.henleyglobal.com/files/download/hvri/HP_Visa_Restrictions_Index_140728.pdf.

11 Telephone interview with Jurga McCluskey, Partner at PricewaterhouseCoopers LLP, October 21, 2013. Interview on file with authors.

12 Panel discussion, "What to Consider when Looking at Citizenship and Residence Planning for the International Family" at "Citizenship by Investment and International Residence Summit 2013," London, IIR & IBC Financial Events, October 31, 2013).

13 For example, 2012 reforms to Australia's Business Skills Program with the Business Innovation and Investment Program, and Canada's intentions to replace its scrapped program with one that attracts "experienced business people." See Government of Canada, "Building a Fast and Flexible Immigration System" and Department of Immigration and Citizenship (DIAC), "Reforms to the Business Skills Program" (Canberra: DIAC, June 2012), www.immi.gov.au/skilled/business/_pdf/reforms-business-skills-program.pdf.

B. Types of Immigrant Investor Programs

The range of investor programs on offer sell quite different rights to investors, receiving very different benefits in return. Governments must make policy choices in three key areas that reflect their varying policy goals, perceived economic needs, and the country's appeal as an immigration destination.

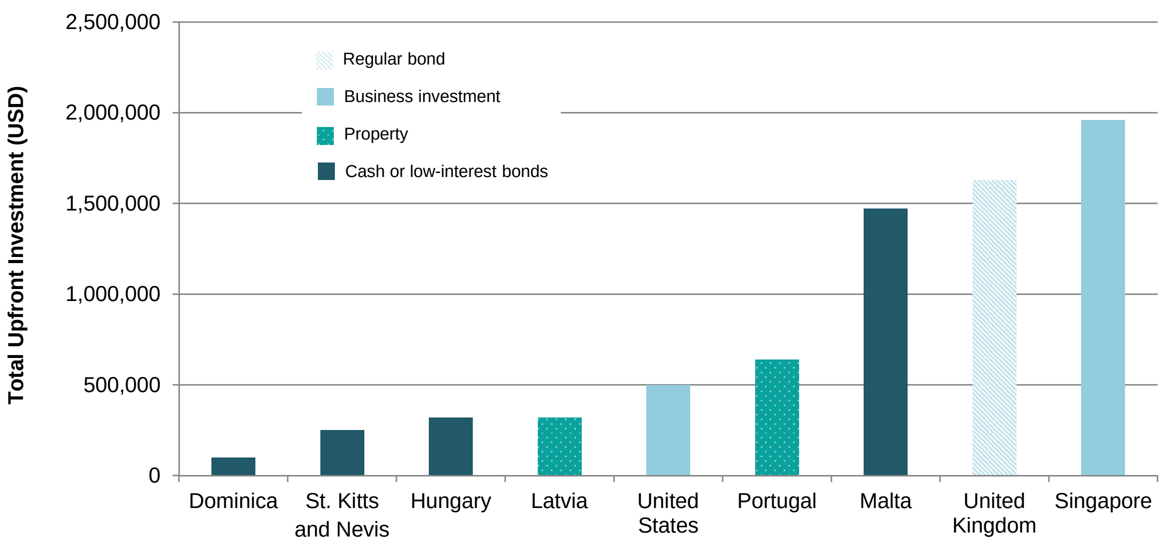
- ***What is the investment and how much does it cost?*** Some countries, like the United States, ask for investments in private-sector businesses, sometimes with the requirement to create a certain number of jobs (the U.S. program requires a $500,000 investment that will create at least ten jobs). St. Kitts and Nevis, by contrast, requires a cash donation of US$250,000 to the government. Several of the newer programs—particularly in the European Union—simply require wealthy individuals to purchase property for personal use. Figure 1 shows investment thresholds for a selection of investor programs.

- ***What status is on offer and do investors actually have to live in the country?*** Most programs grant temporary residence with a two- to five-year pathway to full permanent residence, followed by citizenship; during this period, investors may need to spend a set period of time in the country to extend their stay. A handful of countries, primarily in the Caribbean, offer immediate citizenship—a more secure status that eliminates or greatly reduces investors' need to spend any time in the country to maintain their status.

- ***What procedures ensure integrity and reduce the risk of abuse?*** Background checks typically verify that investors' funds come from a legal source and that the individuals have no criminal history.

The following sections examine the ways in which governments have addressed these questions in the increasingly diverse marketplace of immigrant investor programs.

Figure 1. How Much Do Immigrant Investors Pay? Upfront Investment Sums in Selected Programs



Note: Sums are for a single applicant, excluding dependants; they include the main investment(s) only and exclude various processing and agent fees. Exchange to USD rates are as of September 26, 2014.
Sources: Tables 1, 2, 3, and 4.

Box 1. Where Are the Biggest Investor Programs?

Many governments do not release regular statistics on their immigrant investor programs, making international comparisons difficult. Based on available data, however, some selective comparisons are possible.

Applicant Numbers

The most popular immigrant investor programs tend to be found in traditional destination countries, such as the United States, Canada, the United Kingdom, and Australia, which issue several thousand visas apiece to investors and their dependants each year. The United States currently leads the market, with around 8,600 EB-5 visas issued in fiscal year (FY) 2013, and the United Kingdom issued around 1,600 investor visas the same year. Before Canada suspended its federal program, it issued between 2,000 and 3,000 investor residence permits per year. Hong Kong issued nearly 22,000 residence permits from the launch of its Capital Investment Entrant Scheme in 2003 to March 2014—approximately 2,000 per year. Latvia is a popular option for investors looking to purchase property, issuing more than 9,000 residence permits between July 2010 and the start of 2014.[1] Other programs reputed to attract significant numbers of investors annually include Dominica and St. Kitts and Nevis, although official figures are not available.[2]

Costs to Investors

Popular destinations can afford to charge more for their programs. Comparing the actual cost for investors is difficult, because the investments themselves are very different. From 2010 to 2014, Latvia offered one of the cheapest programs—investors could qualify by buying property worth approximately 71,000 euros, but the threshold was significantly increased starting in September 2014, to 250,000 euros. Investors looking to avoid property ownership can buy zero-interest bonds from Hungary, also for 250,000 euros. Citizenship-by-investment programs in the Caribbean range from US$100,000 to US$250,000 in nonrefundable payments for individual applicants with no family members.

Among the popular English-speaking destinations, the United Kingdom has the highest minimum threshold at GBP 1 million, followed by New Zealand and Australia which require US$1.2 million and US$1.3 million respectively. The United States' minimum is significantly cheaper, at US$500,000, but requires a more risky investment (in private-sector businesses rather than government bonds).

Revenues Raised and Economic Impacts

The value of investor programs to destination countries is hard to compare, given the very different models they operate. If Malta issues the currently projected 1,800 passports to investors, it could raise approximately 1 billion euros, minus costs and fees—close to one-fifth of gross domestic product (GDP). According to the International Monetary Fund (IMF), St. Kitts and Nevis' citizenship-by-investment program has completely transformed the country's fiscal performance, generating a substantial share of GDP (see Box 2).

Other program models are harder to assess. The United Kingdom raises an estimated GBP 500 million per year from applicants coming directly from abroad, excluding applicants already in the country—although investors get this money back, and there is wide consensus that the economic value of these investments for the country is close to zero.[3] At current rates of demand, the U.S. investor program can be expected to raise approximately US$1 billion per year in (potentially more useful) private-sector capital—though this sum makes up a negligible share of total foreign direct investment or GDP.

1 U.S., Canada, UK, Australia, and Hong Kong data from national data sources; Latvia data from European Migration Network (EMN), "Ad-Hoc Query on Wealthy Individuals (update)," March 2014, http://ec.europa.eu/dgs/home-affairs/what-we-do/networks/european_migration_network/reports/docs/ad-hoc-queries/residence/527_emn_ahq_wealthy_immigrants_requested_15_jan_2014_wider_dissemination.pdf.

2 See, for example, considerable revenue cited by IMF for St. Kitts (see Box 2), and Ramy Incocencio, "World's overlooked countries to by second citizenship, residency," CNN, July 5, 2013.

3 UK Migration Advisory Committee (MAC), Tier 1 (Investor) route: Investment thresholds and economic benefits (London: MAC, 2014), www.gov.uk/government/uploads/system/uploads/attachment_data/file/285220/Tier1investmentRoute.pdf.

III. Determining the Investment Type

The types of investments that qualify for investor programs fall into two major categories: (1) transactions between the investor and a private-sector entity, and (2) transactions between the investor and the government. These two models have very different goals. The first approach is primarily designed to boost foreign direct investment (FDI) and create private-sector jobs, while the second usually aims to generate government revenues.[14] Many countries offer a choice from several investment options.

A. Programs Based on Private-Sector Transactions

1. Investing in Local Businesses

Most countries with investor programs offer private-sector business investments as a qualifying option. Private-sector investment is the only option offered in the United States, Singapore, the Netherlands, and France. Under this model, wealthy individuals make a substantial investment in a business (or businesses) in exchange for a residence permit. Applicants may invest directly in a company; in some cases they can also contribute to a seed fund that invests on their behalf, often pooling money from multiple immigrant investors. Pooling funds in this way is an option in the United States, Singapore, and—more recently—in the Netherlands. Some countries, like Singapore and Australia, require applicants to have a business background. The size of the investment can range from a few hundred thousand dollars to several million (see Table 1).

Most countries with investor programs offer private-sector business investments as a qualifying option.

Governments may channel investment revenues to particular sectors or particular geographical regions. Singapore, for example, issues a list of approved business areas that qualify for its Global Investor Program (GIP), ranging from engineering and science to professional services.[15] In the United States, investors can qualify with a $500,000 investment (rather than the baseline $1 million) if they invest in rural or high-unemployment areas—an option the vast majority selects.[16]

14 A common exception is interest-bearing government bonds, a transaction with the government that does not generate government revenues—as discussed later.

15 Contact Singapore, "Global Investor Programme," last modified August 6, 2013, www.edb.gov.sg/content/dam/edb/zh/why%20singapore/entering-singapore/GIP-Global%20Investor%20Programme-Timeline.pdf.

16 A Targeted Employment Area (TEA) is defined as "an area that, at the time of investment, is a rural area or an area experiencing unemployment of at least 150 percent of the national average rate." U.S. Citizenship and Immigration Services (USCIS), "EB-5 Immigrant Investor," accessed May 9, 2014, www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/eb-5-immigrant-investor.

Table 1. Examples of the Business Investment Model

Country	Minimum Investment Threshold	Type of Residence Rights Conferred
Australia: Skills Select—Investor and Significant Investor Streams	AU $1.5 million to $5 million (US$1.3 million to $4.7 million)	Temporary visa, must meet criteria for permanent residence after 4 – 8 years depending on investment size
France: Exceptional Economic Contribution category	10 million euros (US$12.7 million)	10-year residence permit; renewable if investor continues to meet conditions (at least 50 jobs created/saved, and/or maintaining investment); eligible for permanent residence after 5 years
Hong Kong: Capital Investment Entrant Scheme (CIES)	HK $10 million (US$1.3 million)	Temporary (2 years); renewable provided investor maintains investment; eligible for permanent residence after 7 years
Netherlands: Wealthy Foreign National category	1.25 million euros (US$1.7 million)	Temporary (1 year) visa; renewable with eligibility for permanent residence after 5 years
Singapore: Global Investor Program (GIP)	SG $2.5 million (US$2 million)	Conditional permanent residence (5 years), renewable if investor meets residence or revenue-raising requirements—although citizenship is available after 2 years
United States: EB-5 program	US$500,000 in targeted employment area; $1 million elsewhere	Conditional green card (2 years); convertible into full permanent residence if 10 full-time jobs are created or preserved

Note: Exchange to USD rates are as of September 26, 2014.
Source: Fragomen's global immigrant-investor database and national data sources; European Migration Network (EMN), "Ad-Hoc Query on Wealthy Individuals (update)," March 2014, http://ec.europa.eu/dgs/home-affairs/what-we-do/networks/european_migration_network/reports/docs/ad-hoc-queries/residence/527_emn_ahq_wealthy_immigrants_requested_15_jan_2014_wider_dissemination.pdf .

The private business investment model is popular among governments seeking to boost job creation through immigration policy. The direct economic benefits are hard to evaluate, since they depend in large part on whether projects receiving the money would have been able to find funding from other sources if the program did not exist.[17] In the United States, proponents argue that immigrant investors provide crucial "patient capital" that does not demand an immediate return, and that the program can help encourage collaboration between municipalities, local economic development agencies, and community organizations involved in local investment projects.[18]

Governments implementing these policies face some thorny policy issues, however. While the benefits of foreign investment in general are not disputed, rewarding activities that are usually market-driven through the immigration system could in theory reduce these benefits. Investors whose primary goal is gaining residence rights may not make wise decisions about projects' real economic returns. Investors'

17 Note that in the U.S. context the sums raised are also tiny relative to the total economy. If each of the principal applicants initially admitted on investor visas in 2012 invested the minimum required amount, the total new investment would be just over $1 billion—less than 1 percent of all U.S. foreign direct investment (FDI) that year. MPI calculations from U.S. Department of Homeland Security (DHS), *Yearbook of Immigration Statistics 2012* (Washington, DC: DHS Office of Immigration Statistics, 2013), www.dhs.gov/sites/default/files/publications/ois_yb_2012.pdf; and Organization for International Investment, *Foreign Direct Investment in the United States: 2013 Report* (Washington DC: Organization for International Investment, 2013), www.ofii.org/sites/default/files/FDIUS_2013_Report.pdf.

18 Kim Zueli and Brian Hull, "Increasing Economic Opportunity in Distressed Urban Communities with EB-5" (Driving Urban Economic Growth series, Initiative for a Competitivey Inner City, Boston, MA, July 2014), www.icic.org/research-and-analysis/eb5.

goals and motivations are also not necessarily aligned with those of destination governments. The U.S. EB-5 program, for example, requires investments to generate a set number of jobs, likely encouraging investors to gravitate to low-impact but highly labor-intensive industries where job creation is cheap—rather than fueling the knowledge industries policymakers often envisage when designing these programs. In more extreme cases, prospective immigrants' limited knowledge and involvement has made them vulnerable to fraud by third parties investing on their behalf. The U.S. EB-5 program has been beset with allegations of fraud committed by investment agents,[19] for example, and the investment vehicles are dominated by a sprawling network of opaque and unregulated intermediaries.[20] In addition, applicants in countries with business investment-based programs can withdraw private-sector investments after they secure permanent status or citizenship—and may be more likely to do so if their only motive for investing was to meet immigration requirements.

Ensuring compliance with both the letter and the spirit of the programs can be a challenge for all destination countries using this model.

Against this backdrop, ensuring compliance with both the letter and the spirit of the programs can be a challenge for all destination countries using this model—especially since government officials tend not to have much expertise in business and finance, making it hard for them to judge the value and impact of investment projects.

2. Buying Private Properties

Some of the newest investor programs, particularly in Europe, admit applicants simply because they purchase a residential property. This model was introduced in Latvia in 2010, Portugal in 2012, and Greece and Spain in 2013—all countries that had seen a mid-2000s housing boom slump into a property crash, destroying construction jobs. Between 2007 and 2014, property prices fell by 47 percent in Latvia, 42 percent in Spain, 30 percent in Greece, and 14 percent in Portugal.[21]

19 In 2013, for example, the U.S. government warned foreign investors of EB-5 regional center scams following several fraud cases. (Regional centers are organizations authorized to pool funds from multiple investors for specific projects.) The statement was jointly issued by the U.S. Securities and Exchange Commission (SEC) and USCIS—see SEC, "Investor Alert: Investment Scams Exploit Immigrant Investor Program," (investor alert, accessed September 26, 2014), www.sec.gov/investor/alerts/ia_immigrant.htm.

20 For a discussion of regulatory issues, see Audrey Singer and Camille Galdes, "Improving the EB-5 Investor Visa Program: International Financing for U.S. Regional Economic Development" (Brookings-Rockefeller Project on State and Metropolitan Innovation, Brookings Institution, Washington, DC, February 2014), www.brookings.edu/~/media/research/files/reports/2014/02/05%20eb5/eb5_report.

21 European Central Bank, "Residential Property Price Index Statistics," accessed September 26, 2014, http://sdw.ecb.europa.eu/browseSelection.do?DATASET=0&DATASET=1&sfl1=4&FREQ=A&sfl2=4&REF_AREA=168&REF_AREA=258&REF_AREA=143&sfl3=3&node=2120781.

Table 2. Examples of the Property Model

Country	Minimum Investment Threshold	Type of Residence Rights Conferred
Greece: Residence permit by real estate acquisition	250,000 euros (US$32,000)	Temporary (5 years); renewable provided investment is maintained; eligible for permanent residence after 5 years
Latvia: residence permits for foreign investors as established by an amendment to Latvia's Immigration Law	LVL 50,000 (US$90,000), rising to 250,000 euros (US$317,000) in September 2014	Temporary (5 years); renewable provided investment is maintained; eligible for permanent residence after 5 years
Portugal: Golden Residence Permit Program	500,000 euros (US$634,000)	Temporary (initially 1 year); renewable (2 years) provided investment is maintained; eligible for permanent residence after 5 years
Spain: Investor visa category under Law to Support Entrepreneurs	500,000 euros (US$634,000)	Temporary (2 years); renewable provided investment is maintained; eligible for permanent residence after 5 years

Notes: Exchange to USD rates are as of September 26, 2014. The LVL 50,000 (US$90,000) threshold applied to real estate outside of Riga; real estate purchased in Riga required LVL 100,000 (US$180,000). As of September 1, 2014, investment thresholds are 250,000 euros (US$317,000 for real estate, with investors paying 5 percent of the purchased property price into the state budget. Latvijas Republikas Saeima, "Izmaiņas uzturēšanās atļauju izsniegšanā ārzemniekiem stāsies spēkā šī gada septembrī," (news release, May 8, 2014), www.saeima.lv/lv/aktualitates/saeimas-zinas/22169-izmainas-uzturesanas-atlauju-izsniegsana-arzemniekiem-stasies-speka-si-gada-septembri.

Source: Fragomen's global immigrant-investor database and national data sources; EMN, "Ad-hoc query."

The economic benefits of the property model are rather unclear. Significant property purchase may raise housing values and help stabilize declining prices—albeit only at the high end of the market, as programs impose minimum property values. This may bring some short-term relief, although in the long run higher house prices are not necessarily good for the economy. Indeed, Singapore's government has introduced a series of measures in recent years to reduce the impact of foreign money inflows on the domestic property market, and discontinued its property visa model (the Financial Investor Scheme) in 2012.

Second, housing purchases could stimulate construction activity, creating jobs—although evidence of these impacts in practice is scarce. Finally, it is possible that homeownership could generate local consumer spending or taxation by encouraging permit-holders to visit the country. The extent of this spending is also unknown—and in the EU countries where the property model is most common, it may well be quite small given that residence requirements are minimal and a potentially large share of investors only hold them in order to access visa-free travel to other countries.

The economic benefits of the property model are rather unclear.

B. *Programs Based on Investor-Government Transactions*

A very different model of investor immigration relies on direct transactions between investors and governments. These transactions fall into two main categories: (1) direct donations to government coffers or a national development fund—either in the form of a lump-sum payment or specially designed low-interest government bonds; and (2) regular government bonds. The first model is not strictly an "investment" so much as a payment in return for residence rights or citizenship.

1. The Cash Model

Several investor programs exchange residence or citizenship for funds that are channeled toward development projects or used more generally as government revenue. The most transparent—and controversial—model involves a simple lump-sum payment. Others disguise this payment in the form of a government bond on which the investor receives no interest and which they must hold for several years.

Pioneered by a small Caribbean island—St. Kitts and Nevis—in the 1980s, the lump-sum donation model hit headlines in Europe in 2013 when Malta proposed to sell citizenship for 650,000 euros. "Citizenship by investment" (CBI) programs typically impose very few requirements on investors—they must clear background checks and hand over their funds, but are generally required to spend no more than a token period of time in the country (an issue described in the next section).

In the Caribbean and West Indies, which are best known for cash-based investor citizenship, these programs have been used by island nations trying to diversify their economies by moving away from the agricultural sector towards tourism. With the exception of Dominica, where the government directly invests the money in private or public projects, these investments are channeled into national development funds that operate as independent bodies with government oversight.

Table 3. Examples of the Cash Model

Country	Minimum Investment Threshold	Type of Residence Rights Conferred
Antigua & Barbuda: Citizenship by Investment	US$250,000	Conditional 5-year citizenship (residence requirement of 35 days in first 5 years to renew passport)
Dominica: Economic Citizenship	US$100,000	Citizenship
Malta: Individual Investor Program	650,000 euros (US$824,000)	Temporary residence permit, pending citizenship grant after 12 months
St. Kitts & Nevis: Citizenship by Investment	US$250,000	Citizenship

Notes: Excludes additional due diligence and process fees, or additional property and/or asset requirements. Exchange to USD rates are as of September 26, 2014.
Source: Fragomen's global immigrant-investor database and national data sources.

For governments, cash-based investor programs have advantages and disadvantages. First, they can provide a significant source of revenues (see Box 1). A recent International Monetary Fund (IMF) report on St. Kitts and Nevis highlighted its citizenship program's major role driving economic growth and reducing the current account deficit, stating that "the [economic] recovery has been mostly financed by FDI or CBI inflows."[22] Malta's program is expected to issue passports to up to 1,800 principal applicants in its current phase, potentially raising more than 1 billion euros—nearly one-fifth of the country's GDP.[23]

A second advantage of cash-based programs for governments is the avoidance of difficult compliance issues that arise when governments try to monitor individuals' private-sector investments—such as ensuring that the proposed project actually goes ahead as envisaged and that real jobs are created. Payments are direct and verifiable, and the government has close control over how the funds are used.

22 International Monetary Fund (IMF), "St. Kitts and Nevis: 2014 Article IV Consultation and the Seventh and Eighth Reviews under the Stand-By Arrangement and Request for Waivers of Applicability and Nonobservance of Performance Criterion—Staff Report; Press Releases" (IMF Country Report No. 14/86, IMF, Washington, DC, March 2014), 5-9, www.imf.org/external/pubs/ft/scr/2014/cr1486.pdf.

23 Actual program revenues cannot be calculated precisely since they would depend on the number of dependants, who pay additional fees. A share of the money will also go toward processing costs.

Box 2. Citizenship-by-Investment Programs

The Citizenship-by-Investment (CBI) program in St. Kitts and Nevis is a major source of income for reducing the country's sovereign debt, diversifying the economy, and fueling economic growth. Applicants for the program can choose between investing US$250,000 in the Sugar Industry Diversification Foundation (SIDF), established in 2006 after the closure of the island's sugar industry, or US$400,000 in a government-approved real estate project (primarily tourist resorts), plus a US$50,000 application fee that contributes to government revenues.[1] As of June 2014, the SIDF had disbursed US$60.3 million—of which around 20 percent or $12 million went to the government as "budgetary support," with the rest put towards a variety of uses including tourist resorts, electricity infrastructure, the agricultural sector, subsidized housing, vocational training programs for young people and the unemployed, and student loans.[2]

In Dominica, applicants donate US$100,000 to the government, which invests the funds in government-approved private projects—particularly in the tourism, agricultural, and information technology (IT) sectors—and public projects, including building schools and a national sports stadium, renovating the hospital, and promoting the country's offshore sector.[3] Dominica's program was estimated to have contributed EC$61.6 million (US$22.8 million) to government coffers in 2013, comprising 11 percent of the country's total revenue that year.[4]

1 Data on CBI fees are available from International Monetary Fund, "St. Kitts and Nevis 2014 Article IV Consultation and the Seventh and Eighth Reviews under the Stand-By Arrangement and Request for Waivers of Applicability and Nonobservance of Performance Criterion—Staff Report; Press Releases" (IMF Country Report No. 14/86, IMF, Washington, DC, March 2014), 4. www.imf.org/external/pubs/ft/scr/2014/cr1486.pdf.

2 St. Kitts and Nevis Sugar Industry Diversification Foundation, "SIDF Funds Dispersed to Date," accessed June 27, 2014, www.sknsidf.org/projects/projects.cfm.

3 Government of the Commonwealth of Dominica, "How Do I Apply for Economic Citizenship of the Commonwealth of Dominica?" accessed September 26, 2014, www.dominica.gov.dm/services/how-do-i-apply-for-economic-citizenship-of-the-commonwealth-of-dominica.

4 Prime Minister and Minister for Finance Roosevelt Skerrit, "Budget Address for Fiscal Year 2013/14: Building on the Gains We Have Made," Commonwealth of Dominica, July 24, 2013, 21-22, www.caribbeanelections.com/eDocs/budget/dm_budget/dm_budget_2013_2014.pdf.

Of course, there is no guarantee the money will be wisely spent, or that funds will be sustainable—increased competition as more countries enter the market make future revenues hard to predict. Perhaps the main obstacle for governments considering this type of investor program, however, is political: direct cash transactions are enormously controversial. While all investor programs are potentially vulnerable to public discomfort with the idea of rewarding financial transactions with citizenship, single lump-sum payments make this transaction particularly transparent. This is one likely reason why the Maltese program has provoked so much criticism—both from opposition within the country and from the European Union—while a slightly more complex citizenship program in Cyprus that requires property ownership and investment in government bonds or other financial assets has largely slipped under the media radar.[24]

2. Zero- or Low-Interest Government Bonds

Instead of taking cash payments, some countries ask immigrant investors to buy specially designed zero- or low-interest government bonds that investors must hold for several (typically about five) years. This approach is used in Hungary and Ireland. Canada ran a longstanding federal Immigrant Investor Program based on this model that was scrapped in 2014, although a similar program is still operational in Québec. Because governments usually have to pay interest on money they borrow from investors, this model is also essentially a cash transfer from investors to government—albeit less transparent than the lump-

24 Recent amendments to the requirements for Malta's program have brought it closer in line with the Cyprus program. For example, investors in Malta's program are now required to hold 150,000 euros of government bonds, and either own a property worth 350,000 euros or rent one for at least 16,000 euros annually over a five-year period.

sum donations described above.[25] The revenues can be used in largely similar ways to cash donations.[26]

Low-interest loans are generally cheaper for investors than cash donations (see Table 4). Compared to cash payments, they have the drawback of tying up investors' money for several years, reducing their ability to invest it in more productive economic activities. They are considerably less controversial, however, presumably because the cash payment is disguised.

Table 4. Examples of the Zero- or Low-Interest Government Bonds Model

Country	Minimum Investment Threshold	Net Interest from Five-Year Government Bond	Type of Residence Rights Conferred
Canada (Québec): Investor Program	CA$800,000 (US$717,000)	CA$68,000 (US$61,000)	Permanent residence
Hungary: Investment Immigration Program	250,000 euros (US$317,000)	49,000 euros (US$63,000)	Temporary (6 months); then eligible for permanent residence
Ireland: Immigrant Investor Programme	1 million euros (US$1.3 million)	22,200 euros (US$28,000)	Temporary (2 years, then renewed for 3 years if investment is maintained); renewable in 5-year increments and eligible for permanent residence after 60 months of residence

Notes: Net interest from five-year government bond figures calculated using data from September 26, 2014. Exchange to USD rates are as of September 26, 2014.
Source: Fragomen's global immigrant-investor database and national data sources.

3. Regular Government Bonds

Finally, some governments grant residence rights to investors who buy ordinary, interest-bearing government bonds. Surprisingly, some of the most popular destinations have used this model—including Australia and the United Kingdom—despite the fact that the investment has essentially no economic benefit for the destination country. Adding a few hundred small-scale bond purchasers to these countries' pool of creditors simply cannot affect the governments' borrowing costs, which are already relatively low. A recent study of the UK investor program calculated that it raises around GBP500 million (US$877 million) per year, funding less than two days of the UK national deficit.[27] Meanwhile, investors' money remains tied up for several years, preventing those who might otherwise have invested in productive businesses from doing so.

If this model has any economic benefit, it comes in the form of investors' consumer spending, the taxes they pay, and—potentially—from their business activities should they choose to conduct any in the

25 Investors in Hungary's program, for example, make interest-free five-year loans of 250,000 euros to the government; in the regular bond market, investors buying five-year Hungarian government bonds for this value would currently expect to receive their money back with an extra 49,000 euros in interest. This difference is the implicit "cost" of the zero-interest bond to the investor.

26 Québec's government, for example, puts profits toward a labor market integration program for immigrants and minorities, as well as a program offering grants of between CA$40,000 and $250,000 (up to 10-15 percent of total project costs) to Québec companies looking to grow or innovate. Investissement Québec, "Financial Products: Immigrant Investors Financing," accessed June 30, 2014, www.investquebec.com/quebec/en/financial-products/all-our-products/immigrant-investor-financing.html.

27 MAC, *Tier 1 (Investor) route*, 32.

country after they arrive. In practice, these indirect contributions are difficult to quantify due to a lack of data.[28]

Table 5. Examples of the Regular Government Bonds Model

Country	Minimum Investment Threshold	Type of Residence Rights Conferred
Australia	AU$1.5 million to $5 million (US$1.3 to $4.4 million)	Temporary visa, must meet criteria for permanent residence within 8 years
New Zealand: Migrant Investment categories	NZ$1.5 million to 10 million (US$1.2 million to $7.8 million)	Temporary visa, eligible for permanent residence after minimum 2 years, maximum 3-4 years
United Kingdom: Tier 1 (Investor)	GBP1 million (US$1.6 million)	Temporary (3 years, 2 year extension possible); eligible for permanent residence after 5 years (2-3 years if investing GBP10 million or 5 million) provided residence requirements (at least 180 days a year) are met

Note: Exchange to USD rates are as of September 26, 2014.
Source: Fragomen's global immigrant-investor database and national data sources

IV. Immigrants or Casual Visitors? Residency Requirements

Beyond determining the contours of the investment types required for investor visa programs, policymakers face a second major question: whether to require beneficiaries to live in the destination country. A handful of countries (e.g. Bulgaria, Hungary, and the Caribbean investor programs) grant citizenship or permanent resident status without any meaningful residency requirements. Others require a minimum duration of residence for investors to maintain their status or upgrade to permanent residence and citizenship. These policy choices partly reflect the country's popularity, since high-demand destinations can afford to impose more stringent residency requirements and still attract sufficient applicants. The variety of residence arrangements can be broadly categorized as follows:

- ***Path to citizenship without meaningful residency requirements.*** Investors may be able to maintain residency rights without visiting the country at all or after spending a token period of time there. Countries that offer citizenship up front tend to fall into this category. St. Kitts and Nevis, for example, has no residency requirement while Antigua and Barbuda requires investors to spend an average of seven days per year in country, or 35 days in total over five years in order to get their passports renewed. Other countries provide a temporary or permanent residence permit that allows investors to apply for citizenship after a certain period without having lived in the country at all—examples include Bulgaria, for example, where citizenship is available after one year, and Hungary, where it is available after eight years.

28 Ibid: 36, 53.

- ***Few requirements to maintain temporary status, higher requirements for permanent residence or citizenship.*** Some programs issue residence permits that can be renewed indefinitely with minimal residence requirements but impose higher requirements for investors who want permanent residency or citizenship. Investors in Spain, for example, can renew their temporary permits without any residence requirement, but must actually live in Spain for the majority of a five-year period in order to apply for permanent residence.[29] The United States has no fixed number of days required to maintain permanent resident (or "green-card" status),[30] although immigrants must be physically present for at least half of the five years before any citizenship application. Some countries may require language tests for either permanent residence or citizenship, making it less likely that casual visitors will be able to qualify.

- ***"Up or out" path to citizenship with residence requirements.*** Some programs issue conditional residence permits that expire if investors do not fulfill all the requirements to switch to permanent resident status. The extent of these requirements varies. New Zealand requires applicants to spend a minimum of 12 percent to 40 percent of their time in New Zealand, depending on the value of their investment, while investors in the United Kingdom must spend half of their time there to receive permanent residence and three-quarters to receive citizenship.[31]

In other words, some programs are clearly geared toward immigrants settling permanently in the country. Others are not—either because they offer citizenship up front or because they allow investors to renew their permits without actually living in the country.

If investors are not seeking the opportunity to immigrate, the question arises what they are, in fact, buying.

When determining residence requirements, governments must balance the desire to ensure that investors are truly "immigrating"—and thus more likely to make other economic contributions such as paying taxes or conducting business activities there—against investors' needs to travel internationally for business or personal reasons. Less popular destinations must also consider the fact that far fewer customers will apply if they are required to live in the country.

If investors are not seeking the opportunity to immigrate, the question arises what they are, in fact, buying. One answer is an insurance policy—the option to get out of their current country of citizenship if they need to at a later date. Another common answer is access to other countries. Investor programs are often explicitly marketed for the visa-free travel opportunities they offer. Citizens of St. Kitts and Nevis and Antigua and Barbuda, for example, can travel visa-free to Canada and most of the European Union;[32] temporary residence holders in countries that participate in the Schengen visa-free travel zone in Europe can spend considerable periods visiting other countries within the zone without applying for visas.

This feature of investor programs is controversial, as the recent debate on economic citizenship in Malta has illustrated. As originally proposed in 2013, Malta's investor program did not have a residence require-

29 According to Fragomen's database, investors applying for long-term residence may have absences from Spain of up to six continuous months, providing the total periods of absence do not exceed ten months during the five-year period, or one year if the absences are for professional reasons.

30 Green-card holders must demonstrate their "intent to maintain lawful permanent resident status"—long absences can become evidence that an individual has abandoned this status, although there is no single test for determining this intent.

31 Fragomen's global immigrant-investor database.

32 Government of Canada, "Countries and territories where visas are required," accessed July 28, 2014, www.cic.gc.ca/english/visit/visas-all.asp; European Commission, "Council Regulation (EC) No 539/2001 of 15 March 2001 listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement," http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2001R0539:20110111:EN:PDF.

ment, offering immediate access to EU citizenship and thus to work and residence rights across Europe in return for a cash payment. The European Parliament passed a resolution stating that EU citizenship should not be treated like a "tradable commodity" and should not have a "price tag attached."[33] Interestingly, however, the European Commission acquiesced to Malta's program after some amendments were made—not to remove the cash transaction, which remains in place, but to add a 12-month residence requirement before granting citizenship.[34] The new rules contain no explicit requirement as to the number of days of physical presence during this period.

V. Ensuring Integrity

A final question frequently raised with investor programs is whether beneficiaries have been vetted sufficiently. While this question applies to any kind of immigration, investor residence programs are particularly sensitive to concerns about applicants' backgrounds, for two reasons. First, this type of immigration is based on a financial transaction, creating concern that governments could inadvertently facilitate money laundering if applicants' investments come from fraudulent or criminal activities. (The prime minister of St. Kitts and Nevis, for example, noted in a recent speech that in the late 1990s his administration had cancelled the program's bond investment option due to concerns it was being used for money laundering.)[35]

Second, visa-free travel agreements between governments—to which certain investor programs provide access—rely on the assumption that their citizens are safe to admit. In a worst-case scenario, a poorly perceived investor program could jeopardize all citizens' visa-free travel rights in other countries. For example, Canada suspended visa-free travel for citizens of Grenada in 2001, citing concerns about beneficiaries of Grenada's citizenship-by-investment program.[36] More recently, the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) issued a warning that passports issued through the St. Kitts and Nevis Citizenship-by-Investment program were being used in illicit financial activity; although to date St. Kitts citizens continue to enjoy significant visa-free travel privileges in many other countries.[37]

A final question frequently raised with investor programs is whether beneficiaries have been vetted sufficiently.

Countries with very fast pathways to citizenship are particularly vulnerable to this concern. Proponents of such programs are typically keen to emphasize the rigor of their due-diligence checks on applicants. Screening procedures tend to include reviewing police certificates from countries in which applicants have lived, checking databases from international agencies such as Europol and INTERPOL, and reviewing business

33 European Parliament, "EU citizenship should not be for sale at any price, says European Parliament," (news release, January 16, 2014), www.europarl.europa.eu/news/en/news-room/content/20140110IPR32392/html/EU-citizenship-should-not-be-for-sale-at-any-price-says-European-Parliament.

34 Other amendments made at this stage included a requirement for applicants to own residential property in Malta. European Commission and Government of Malta, "Joint Press Statement by the European Commission and the Maltese Authorities on Malta's Individual Investor Program (IIP)," (press release, January 29, 2014), http://europa.eu/rapid/press-release_MEMO-14-70_en.htm.

35 Government of St. Christopher (St. Kitts) & Nevis, Office of the Prime Minister, "Citizenship by Investment Programme restructured over the years," July 17, 2014, www.cuopm.com/?p=7982.

36 Government of Canada, "Canada-Grenada Relations," June 2009, last modified January 2013, www.canadainternational.gc.ca/barbados-barbade/bilateral_relations_bilaterales/canada_grenada-grenade.aspx?menu_id=57&view=d.

37 U.S. Department of the Treasury, Financial Crimes Enforcement Network (FinCEN), "FIN-2014-A004. Advisory: Abuse of the Citizenship-by-Investment Program Sponsored by the Federation of St. Kitts and Nevis," May 20, 2014, www.fincen.gov/statutes_regs/guidance/html/FIN-2014-A004.html.

records and other public documents.[38] European countries that are part of the Schengen Area have access to the Visa Information System (VIS) and the Schengen Information System (SIS), which enable members to issue alerts and consult the system on people with a criminal background, visa data, and stolen or fraudulent identity documents.[39] Some countries also require applicants to attest that they have not previously been denied a visa in any country that offers the destination country's citizens visa-free travel—although it is not clear to what extent agencies issuing passports to investors are able to corroborate this information.

This screening is much more thorough than most countries require for their tourist or business visas. But even with rigorous checks, no country can eliminate the chance that their investor program will admit "bad actors." Background checks are only as good as the data sources on which they rely, and public records are more reliable (and more incorruptible) in some countries than others. As a result, the possibility of high-profile cases involving immigrant investors who slipped through the net remains a risk even for governments that put in place careful screening measures.

VI. What Next? The Future of Investor Programs

As middle classes in emerging economies continue to grow, demand for alternative residence rights seems likely to remain robust. By the end of 2013, China had nearly 2,400,000 millionaire households—up from 1,500,000 the year before—and private wealth in the Asia-Pacific region is projected to grow by more than 10 percent annually between 2013 and 2018.[40] Despite this wealth, interest in emigration remains high, and alternative residence rights an attractive option for wealthy families looking to educate their children abroad, travel more freely, or simply keep options open for the future.[41]

How can the "market" of residence and citizenship programs be expected to change in the coming years? Increasing numbers of countries are offering residence rights or citizenship, including via programs with nontraditional designs that require only a loose connection between investors and the destination country. While the landscape of immigrant investor programs is becoming more competitive, not all countries are competing in the same market. Popular destinations like the United Kingdom can ask for high investment thresholds and extensive residency requirements before conferring permanent residence status. Others may struggle to compete against countries offering similar benefits—a scenario that seems most likely for citizenship programs in the Caribbean and property-based programs providing access to Europe's Schengen zone.

As middle classes in emerging economies continue to grow, demand for alternative residence rights seems likely to remain robust.

38 See, for example, Regulation 5 of the *Maltese Citizenship Act* (CAP. 188), Individual Investor Programme of the Republic of Malta Regulations, 2014.

39 European Commission, Directorate-General for Home Affairs, "Schengen, Borders & Visas," accessed July 22, 2014, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/borders-and-visas/index_en.htm.

40 Boston Consulting Group, "Global Wealth 2014: Riding a Wave of Growth" (BCG perspectives, June 2014), www.bcgperspectives.com/content/articles/financial_institutions_business_unit_strategy_global_wealth_2014_riding_wave_growth/?chapter=2#chapter2_section3.

41 See, for example, Hurun Research Institute, "Hurun Report Chinese Luxury Consumer Survey 2014," Shanghai, January 16, 2014, www.hurun.net/en/ArticleShow.aspx?nid=262; and Rachel Wang, "Why China's Rich Want to Leave," *The Atlantic*, April 11, 2013, www.theatlantic.com/china/archive/2013/04/why-chinas-rich-want-to-leave/274920/.

For governments designing investor programs, demand can be difficult to predict and uptake varies enormously. This is particularly important for countries with a significant financial reliance on such revenue. Countries can adjust the thresholds and other requirements in order to manage demand. In practice, this is a rather inexact science—trial and error is a feature of the field. Singapore, for example, recently increased investment thresholds in response to concerns about the level of immigration (both in the investor route and other categories). In response to high demand from Russian property buyers, Latvia announced increases in investment thresholds in 2014.[42]

Even as new countries jump into the ring, some of the more experienced players are pulling back or reviewing their programs due to concerns over insufficient economic benefits.

On the other hand, the Netherlands relaxed requirements after only one individual applied during the first four months of the program it introduced in October 2013.[43] Ireland also lowered minimum investment values following low demand—22 applications between the program's 2012 launch and February 2014.[44] (France, by contrast, has maintained its threshold at a hefty 10 million euros despite receiving just nine new applications between 2010 and 2013.[45])

Even as new countries jump into the ring, some of the more experienced players are pulling back or reviewing their programs due to concerns over insufficient economic benefits. Australia revised its regulations in 2012, following concerns that the investor route mainly served wealthy individuals making few active contributions to the economy; the new requirements put more emphasis on business and investment experience.[46] Canada formally scrapped its longstanding immigrant investor program in February 2014, citing a lack of economic benefits—research had indicated that immigrant investors paid less in taxes, were less likely to remain in Canada, and experienced greater difficulties fully integrating into Canadian society compared to labor immigrants.[47] The same month, the UK Migration Advisory Committee (MAC) published a skeptical report on the country's investor program, arguing that the United Kingdom was giving away residence rights in return for a government-bond investment with no economic value.[48]

As governments continue to review their immigrant investor routes and as new countries enter the market, their challenge will be to demonstrate the programs' economic value while maintaining their integrity and reputation. Tensions between these two goals can arise, however. The programs with the most clearly demonstrable economic value are also the most politically controversial: cash donations. The cash model brings verifiable revenues that the country can keep, as opposed to private-sector transactions that might remain in place no longer than it takes to reach permanent residence or citizenship. Similarly, residence requirements help improve a program's public image—making it seem more like ordinary

42 An amendment to introduce a cap on real estate investor numbers was initially passed by the Saeima in October 2013 though this was later removed. Latvijas Republikas Saeima, "Izmaiņas uzturēšanās atļauju izsniegšanā ārzemniekiem stāsies spēkā šī gada septembrī," (news release, May 8, 2014), www.saeima.lv/lv/aktualitates/saeimas-zinas/22169-izmainas-uzturesanas-atlauju-izsniegsana-arzemniekiem-stasies-speka-si-gada-septembri.

43 The revised policy allows foreign investors to invest via a seed fund, or form a consortium of investors, and lowered residence requirements from six months to four months annually. European Migration Network (EMN), "Ad-Hoc Query on Wealthy Individuals (update)," March 2014, http://ec.europa.eu/dgs/home-affairs/what-we-do/networks/european_migration_network/reports/docs/ad-hoc-queries/residence/527_emn_ahq_wealthy_immigrants_requested_15_jan_2014_wider_dissemination.pdf; Netherlands Immigration and Naturalization Service, "Admission Scheme for Foreign Investors," (news release, June 11, 2014), https://ind.nl/EN/organisation/news/Pages/Admission-scheme-for-foreign-investors.aspx.

44 EMN, "Ad-Hoc Query on Wealthy Individuals (update)."

45 Ibid.

46 DIBP, "Business Innovation and Investment (Provisional) visa (subclass 188)," last updated August 23, 2014, www.immi.gov.au/Visas/Pages/188.aspx.

47 Government of Canada, "Building a Fast and Flexible Immigration System."

48 MAC, *Tier 1 (Investor) route*.

immigration—but many countries would see their applicant base melt away if they imposed a meaningful requirement for physical presence.

Despite these challenges, investor visa programs are likely to remain a common feature of the policy landscape. For large, traditional immigrant destinations, investors make up a small share of total immigration, keeping the economic stakes for governments relatively low. In the future, they can probably be more selective, and this may encourage a shift from nonproductive passive investments such as government bonds toward admitting individuals with genuine expertise. A debate about selectivity seems particularly likely in the United States, where the 10,000 annual cap could become heavily oversubscribed if current trends continue.

In many of the less traditional destinations, by contrast, investor programs are not truly about immigration at all. The main attraction for prospective investors is often access to other countries. As a result, the challenge facing these countries will be to generate greater economic benefits (for example by shifting from property purchases to private-sector investments or contributions to public revenues), while keeping their programs modest in size and scandal free.

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The Migration Policy Institute is a nonprofit, nonpartisan think tank dedicated to the study of the movement of people worldwide. MPI provides analysis, development, and evaluation of migration and refugee policies at the local, national, and international levels. It aims to meet the rising demand for pragmatic and thoughtful responses to the challenges and opportunities that large-scale migration, whether voluntary or forced, presents to communities and institutions in an increasingly integrated world.

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