

The View from Europe
By David Jessop

Economic citizenship: a reputational risk

As wealthy Russian, Chinese, US and other citizens look for new domiciles, Caribbean nations are either developing new economic citizenship programmes or are moving to increase awareness of existing schemes. If not well considered, the national, regional and international questions this raises, may come to haunt the region.

Most recently Antigua has begun to take through its Parliament legislation that will give Government the ability to grant to various categories of persons the right to Antiguan nationality in return for a substantial investment. Crucially there is no residence requirement.

Dominica and St Kitts Nevis are the only other two countries in the world that also offer citizenship without any residency requirement.

Antigua's bill, which is controversial in the domestic political arena, has possible longer term implications for the overseas travel of its locally-born citizens, and raises questions in relation to the Organisation of Eastern Caribbean States (OECS) and Caricom's free movement of persons provisions, is intended to raise up to US\$550m for the island over three years.

If passed into law, it would grant citizenship to foreign investors who acquire either US\$0.4m in property, or contribute US\$0.25m to the National Development Fund, donate US\$0.25m to an approved charitable organisation, or invest at least US\$1.5m in a business.

Programmes that in one or another way permit residence, and may lead to citizenship, are increasing in number around the world, but are primarily related to skills that a country wishes to obtain to increase their global competitiveness.

In the case of the UK, immigrants from outside the EU can fast-track permanent residence by making investments of around US\$1.6m, US\$7.6m or US\$1.6m. Canada's investor immigration programme in general terms requires applicants to provide a US\$0.8m interest-free loan over five years to the country's provinces, but has such a backlog of applications that it has not been accepting new applicants. In the case of the US, applicants and their immediate families can receive permanent US residency with an investment of at least US\$1m, if it leads to specified job creation.

In contrast, in the case of St Kitts, obtaining citizenship through investment requires either a donation of at least US\$0.25m to the Sugar Industry Diversification Foundation, or a real-estate purchase of at least US\$0.45m.

Among those most interested in such programmes globally, are the significant numbers of newly wealthy Chinese entrepreneurs whose interest in holding alternative citizenship, or residing elsewhere, ranges from largely unspoken concerns about their Government's anti-corruption drive, concerns about freedoms, to seeking a location to provide an international education for their children.

Wealthy Russians too have an interest in relocating. In their case the most commonly cited reasons are to avoid the growing suppression of dissent, the expropriation of businesses and organised crime. There are also a growing number of citizens from Arab states unsettled by instability, the

possibility of a regional war or unrest across Middle East who want to relocate, and a significant number of US entrepreneurs who want to escape the US's ever widening tax net.

In the case of Antigua one complicating factor is that the offer of a passport would provide any new citizen with the ability to move freely within the OECS, and other nations in the region or elsewhere that does not require a visa. Commenting on this recently, the OECS Commissioner, Ambassador Colin Murdoch, said that OECS Heads have agreed to commission a study to examine the legal issues involved as any citizen of the OECS would be entitled to all the benefits of the OECS economic union, including free movement.

It is also clear that traditional partners are watching closely the development of such programmes. US diplomatic cables published by Wikileaks indicate that the US Government is monitoring citizenship programmes in the Caribbean. Their primary concern, and that of Europe and Canada, relates to the Caribbean's capacity to properly regulate citizenship programmes in ways that ensure that they do not encourage illegal activity. Leaked cables from 2007 suggest that the Dominica and Grenada programmes are carefully monitored.

Recent private research suggests that concern among Caribbean citizens has been growing. Among the doubts listed about economic citizenship programmes are: a country being associated with criminals; being inundated with foreigners; funding being given by foreigners to political parties or individuals rather than the state; damage to international reputation; and visa restrictions being applied to all nationals by other states.

The USA, Canada and the UK all have economic citizenship programmes. However, while such investment can be a fast track to full citizenship and permanent residence it is not a guarantee and in all cases it requires residency.

Assuring the Caribbean people that they will not suffer visa restrictions from other nations as a result of an economic citizenship programme is an issue that has domestic political implications. It requires any Government envisaging such programmes to ensure that they communicate their plans to those countries that it citizens most frequently travel to and develop clear procedures in relation to security and the administration of the scheme.

Selling the idea to the people of any nation in the region is not and should not be easy, despite the fact that there is acute awareness that economies are suffering and that new ways need to be found to stimulate investment.

As international views on monitoring money laundering and transparency evolve, it is possible that economic citizenship could at some point become the subject of more intense scrutiny by external governments and international institutions.

In its race to create new sources of income, nations and the region should consider carefully the implications and reputational risks. If economic citizenship, without any significant residence requirement and the most detailed and exhaustive of checks, were to be proved to have facilitated criminality or worse, the measure will not only have become self defeating for the country concerned but also potentially damaging to the region as a whole.

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