The Economics of Investment Migration

The Citizenship and Residency Industry and Economic Outcomes

Working Paper No. 158

June 2022

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June 2022
Working Paper no. 158
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Competing interests: The author(s) declare none.

Abstract

Recent years have seen a proliferation of programs across the globe that allow investors to gain residence or citizenship in a country in exchange for the purchase of real estate, bonds, or businesses, or for a donation to the government. Yet very little research has analyzed their economic operation, including the structure of the transnational network of intermediaries who make the market, as well as the economic impacts of the programs. As a step in this direction, the discussion below first dissects the basic infrastructure of the citizenship and residence industry that undergirds the global market in investment migration, laying out the transnational web of service providers. Next, it turns to the economic dynamics of the programs. In doing this, it addresses important methodological issues to consider when evaluating the economic outcomes of programs and identifies the inaccuracies that emerge when using rough-and-ready calculations. Finally, it draws on statistical work to offer a general comparison of the macroeconomic impact of key schemes, namely the larger citizenship by investment programs globally and the residence by investment programs in the European Union.

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Introduction

Recent years have seen a proliferation of programs across the globe that allow investors to gain residence or citizenship in a country in exchange for the purchase of real estate, bonds, or businesses. These "golden passport" or "golden visa" schemes, now found in more than 70 countries, offer a pathway to membership to those who can afford it. A donation of $100,000 can secure a second passport in one of several Caribbean countries, and the purchase of a second home in the Mediterranean is sufficient to gain residence in several European Union (EU) member states. If citizenship is typically regarded as a quasi-sacred bond between sovereign and subject, citizenship by investment programs transform it into a commodity. Indeed a substantial industry has developed around – and pushed forward – a market among the elite for multiple citizenships. In 2012, two countries (Saint Kitts and Cyprus) could be described as offering formal citizenship by investment options; by 2020, they numbered a dozen (Antigua, Dominica, Grenada, Jordan, Malta, Montenegro, Saint Kitts, Saint Lucia, Turkey, and Vanuatu). Programs offering residence in exchange for investment are even more common: over half of all EU member states host them, as do Australia, Canada, Panama, Russia, Taiwan, Thailand, the United States (US), and dozens of others.

Though these programs have attracted heightened attention, both by the media and by scholars, very little work has analyzed their economic outcomes, and to date no study has traced out global connections of the intermediaries who make the market possible in the first place. Addressing this lacuna, this analysis draws on five years of qualitative and quantitative research on the global market in investment migration. This includes over 100 formal interviews and more than 350 informal interviews and discussions carried out in 16 countries with people involved in all aspects of the programs, such as government officials, lawyers, migration service providers, real estate developers, due diligence companies, wealth managers, investors, and locals within the countries, along with several investor migrants themselves. The quantitative analysis draws on newly available statistics concerning the programs that I collected through information requests from governments, publicly available reports, and major newspapers housed in the INVESTMIG dataset.[1] The quantitative analyses run to 2019 as the Covid-19 pandemic significantly disrupted application submission and processing in many countries, along with travel possibilities for applicants to present biometric information where required or to scope out investment choices. As such, the full impact of the pandemic remains to be seen.

This working paper is divided into two sections. First, I dissect the basic infrastructure of the citizenship industry and residence industry that undergirds the global market in investment migration, laying out the transnational web of service providers. Second, I turn to the economic dynamics of the programs. I begin by addressing important methodological issues to consider when evaluating the economic outcomes of programs and identify the inaccuracies that emerge if this is operationalized by simply multiplying the number of investors by the minimum investment amount. Finally, I use descriptive statistics to offer a general comparison of the macroeconomic impact of key schemes, namely the larger citizenship by investment programs globally and the residence by investment programs in the European Union

The Investment Migration Industry Ecosystem

The connective tissue of the global market in investment migration is formed by the citizenship and residence by investment industry. In most migration streams, intermediaries play a crucial role, and elite mobility is no exception.[2] However, in the field of investment migration, their involvement stands out. Particularly in the case of several CBI programs, the intermediaries have been a key creative driver of this field, producing policy, developing techniques to secure legitimacy, advertising opportunities to

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[1] On the fieldwork and data, see Kristin Surak, 'Millionaire Mobility and the Sale of Citizenship' (2020) 47(1) Journal of Ethnic and Migration Studies 166; *also* Kristin Surak and Yusuke Tsuzuki, 'Are Golden Visas a Golden Opportunity? Assessing the Economic Origins and Outcomes of Residence by Investment Programmes' (2021) 47(15) Journal of Ethnic and Migration Studies 3367; *also* Kristin Surak, 'Marketizing Sovereign Prerogatives: How to Sell Citizenship' (2021) 62(2) European Journal of Sociology (*forthcoming).*

[2] Ninna Nyberg Sørensen and Thomas Gammeltoft-Hansen, 'The Migration Industry and Future Directions for Migration Policy' [2012] Danish Institute for International Studies Policy Brief; *also* Kristin Surak, 'Global Citizenship 2.0.' [2016] Investment Migration Council Working Papers IMC-RP 2016/3.

clients, and encouraging governments to get on board. Around them has formed an interconnected industry of private actors that facilitate investment migration. Applying for visas or citizenship is onerous at best, and even middle-class people will make use of visa firms or lawyers to deal with the paperwork or speed along the application process. For the wealthy, it is no different, and indeed, they are less likely to bat an eye at paying extra fees to avoid dealing with bureaucratic hurdles and secure the best service possible. These lucrative possibilities have enabled a transnational investment migration industry to flourish.

Before dissecting the structure of the industry, one should note that interview reveal that it too is inflected by international mobility. As often has been the case with migration policy tools, Canada was an early innovator, developing the first extraordinarily popular RBI scheme in 1986 with the Federal Immigrant Investor Program. One consequence is a global migration industry with a strong Canadian presence. Whether in London, Moscow, Grand Cayman, Dubai, Shanghai, Shenzhen, or Hong Kong, many of the most long-standing service providers are Canadian, or – as is common in China where dual citizenship isn't allowed – have a migratory background in Canada. Not only are they Canadian, they are very often Québécois, a connection that is not happenstance. Many old hands in the field cut their teeth on the Canadian program and developed successful businesses by assisting investors with their applications via Quebec, where processing was swifter than in other provinces and it was easier to gain commissions for services. Subsequently, they broadened out to offer other options, which became a necessity after Canada announced in 2012 that it would freeze and close its main program.

At the core of the investment migration industry are investment migration service providers. These come in several forms, as discussed below, and some have evolved in complex ways, but the heart of what they traditionally do is paperwork: they assist clients in putting together applications for citizenship or residence by investment, ensuring that the bureaucratic paperwork produced in Country A can be read and assessed by bureaucrats in Country B. In this core activity, they are little different to the main street companies that help speed visa applications of all sorts, or the law firms that help prepare citizenship applications and provide a cover letter as an extra insurance that it doesn't get lost in the bureaucratic shuffle. However, the investment migration industry has elaborated far beyond this simple client-to-business-to-government model into an international – and internationally networked – business.

Globally, China is home to the greatest demand for both residence and citizenship, and must be treated on its own due to its age, size, and history of regulation that protected its market from foreign firms. Beijing had long imposed exit restrictions on its populace, rendering it difficult to leave without government approval. This changed when it joined the WTO in 2001 and was required to relax such controls. The result was a bubbling market in migration advisories. Initially it centered around Guangdong Province, as migration firms that had seen booming business in Hong Kong before its return to China, moved to the booming IT and global manufacturing center next door next door on the Mainland. In 2001, Beijing licensed 200 such "immigration consultants," which then spread northward to Shanghai and Beijing, and then out to other provinces. Government regulations specified that only Chinese could own such businesses, which had to register with the government for a substantial fee, on top of additional fees paid for each office opened in a different district. In 2014, Guangdong Province deregulated, followed by Shanghai in 2016, and the entire country in 2018, producing yet further expansion in the number of migration service providers, now freed of heavy licensing fees.

The resulting field of migration service providers in China is substantial, with at least 5000 – likely substantially more – in operation. Of these, around seven firms dominate the market. These behemoths possess 25 to 35 offices in major and medium-sized cities across the country, and they employ at least 500, and sometimes more than 1000, workers. Most companies offer visas beyond investment migration – including student visas and employment visas, and for those interested in golden visas or golden passports, they supply a range of additional services, including visits to the country to assess investment options, relocation services, and help with securing places in schools abroad. Typically, smaller investment migration firms feed their clients -- or rather their files -- to the massive firms that possess greater familiarity with the bureaucratic expectations, due diligence procedures, and options. As such, it can be cheaper to go directly to a "wholesaler" rather than pay the additional fees for a smaller enterprise. Yet this does not always mean that the large company assembles the application file in-house. Indeed, many will subcontract application work and processing to another firm that specializes in application assembly.

Across these developments, the Chinese market – though not unchanging – has remained relatively insulated. Even though the government deregulated the industry, foreign firms still struggle to gain a foothold in a field defined by cutthroat competition and dominated by very big players. To connect internationally, the largest firms maintain partnerships with companies or lawyers abroad, which then submit the file to the relevant country, acting effectively as a "courier." Though it's not unknown, comparatively few companies have established offices abroad and or established business-to-business partnerships outside China – a practice that dominated by the behemoths. Yet even if their foreign footprint has been small, China-based consultancies have also been involved in program design and government advisory in cases such as Hungary and Vanuatu. In addition, their clientele remains largely Chinese; few firms originating in China have expanded beyond this lucrative and high-demand pool.

Outside China, large firms offering investment migration services usually possess a more international network structure, and the most prominent companies focus exclusively on investment migration. These "dominant consultancies" typically have around 20 offices in key cities around the world – a footprint that enables them to draw their clientele from a wider range of countries of origin than their Chinese counterparts. Their core business interests are in citizenship and residence planning for wealthy clients, for whom they introduce a spread of options and discuss what may suit their needs. However, they supply attendant services as well. Qualifying for citizenship or residence by investment can have implications for real estate, financial investment, wealth management, and tax planning portfolios, and the leading companies will either offer relevant services themselves or through subsidiary branches, or will have partnerships with other businesses that do so.

The dominant consultancies have played a key role in structuring the industry itself. The largest possess government advisory sections that proactively promote the development or retooling of investment migration programs, or assist governments with marketing and other elements of program implementation. They advise governments at all stages in policy development, from commenting on reforms to producing draft legislation. A number of governments, including those in Saint Kitts, Dominica, Grenada, and Malta, have awarded contracts to the dominant service providers that extend commissions for each application approved in exchange for advertising and publicity. The firms have also lobbied on behalf of governments to increase the number of countries offering visa-free access. Just as lobbying groups in Washington write policy, so too have service providers become involved in the development of CBI schemes, in some cases going beyond a mere consultative role to help produce policy.

Dominant consultancies do more than connect clients to countries – and countries to clients. They also engage in image management activities for the industry at large, aimed at securing legitimacy and raising its public profile. They publish magazines for "global citizens," host industry conferences, run marketing campaigns, award "global citizen" prizes, and donate to social causes. One area of competition is in the production of "citizenship rankings" which, not unsurprisingly, vary from company to company.

Beyond the dominant consultancies lies a large and diverse field of investment migration service providers of other forms. At the upper end in size and scale are global accounting firms and international banks. These are multinational companies that deal regularly with a wealthy customer base will also include investment migration options among their offerings to their private clients. Some will take care of applications in-house, while others will link to firms that are more specialized or the dominant consultancies. Below them in size are law firms and personal wealth management firms that offer citizenship and residence by investment options along with a range of other legal and wealth management services that go beyond those relating to investment migration. In many of these cases, the size, global reach, and capitalization of both the global accountancies and international banks, along with some of the law firms, far outstrips that of the dominant consultancies or the leading migration companies in China, but for these businesses, citizenship and residence planning is not their bread and butter.

In addition – and far more numerous – are smaller agencies that, like dominant consultancies, specialize solely in investment migration services, but on a much smaller scale and with less of an international footprint, if one at all. Many are based in the country of origin or in cities, like Dubai or Singapore, where potential buyers conglomerate. Such firms will assist with putting together the investment migration application, or serve as an interface for the client while they pass on elements of application assembly to other businesses, becoming effectively a "feeder" for the larger companies or dominant consultancies. Though global mobility is their economic mainstay, these smaller outfits do not shape the industry in the same way as the dominant consultancies.

Furthermore, a number of countries require applications to be submitted through service providers licensed by the government. In many cases, these are local firms – often law firms – in the country offering citizenship or residence. Some may be larger service providers that take on clients and prepare their forms directly, while others may be simply "couriers" that submit the file prepared by another service provider. As such, international business partnerships can be encouraged by program design, particularly when service providers do not cross borders themselves.

This web of "supply chain" connections is not always apparent on the surface (Figure 1). A potential investor may select a firm to take care of her application package, and have contact with only that firm. However, the appointed firm may operate only a project manager that organizes and bundles together the services of other firms for the client. It may pass on elements of the application preparation to another firm – and sometimes even subcontract elements of the assembly even further – before sending it to yet another firm that submits the application to a government.

Figure 1: Basic Supply Chain Configuration

Beyond the service providers dealing with applications are two attendant businesses crucial for the industry. Due diligence screening has taken on increasing importance, particularly in the case of citizenship by investment programs. Many governments have established more rigorous background checks than those expected for other migrants and have appointed specialized due diligence firms to carry them out. Typically, they appoint companies that also investigate – or carry out investigations for – the financial industry. The trend in recent years has been to adopt vetting standards common in the United States, United Kingdom, and Canada to hedge against pressure from regional powers. Even in the absence of due diligence firms, vetting – formal or informal – occurs on at least two occasions: the service provider decides whether to take on a client, and bureaucrats decide whether to approve an application. Both service providers and governments may use due diligence services to carry out checks on potential investors before taking them on.

Finally, there are companies that assist with the investment itself. If an investor selects a business option to qualify, there are companies that will create a company and manage it for them. Others will do the same for financial investments, sometimes pooling investments as well to amass hundreds of millions of dollars in capital for projects. Much more prominent, however, are property developers and other firms involved with real estate. For them, investment migration can supply, effectively, a no-interest loan for building a project or expanding an existing one. The developers may build housing which operates as a primary home, a secondary home, or a rental unit. In economies dominated by tourism, investments may be made into timeshares, hotel rooms or resort areas. Other sorts of infrastructure, such as marinas, golf courses, and business and arts complexes have been built through such programs as well.

Among all of the above business types – with the exception of due diligence firms – connections are common, cemented through contracts and commissions. In the search to secure investors, real estate developers may enter into agreements with service providers, which subsequently offer clients a narrowed selection of the property investments that they find the most promising, and from which they may receive a commission. For their part, property developers might advertise citizenship or residence as a bonus to potential investors in their projects, and they too may seek out clients that they pass on to service providers for application assembly. Local service providers may conclude agreements with the major consultancies that pledge to channel clients through their offices. In addition, service providers based outside the country offering citizenship or residence may contract local firms within the country to submit the application. The chains of service providers, joined through contracts and flows of fees and profits, may stretch across countries and through global hubs. This variegated ecosystem of businesses forms the connective tissue of the market in investment migration.

Economic Impact: Key Issues and Outcomes

The economic outcomes of investment migration programs are of great importance. Indeed, many programs are instituted out of economic need and tooled to address those needs as well.[3] By some estimates, the investment migration industry sees a global turnover of over USD$20 billion annually,[4] and some countries gain upwards of 50% of their GDP through the schemes.[5] Yet to date little work has assessed their economic impact.

Methodological Issues

There are a number of methodological challenges to note when undertaking such an analysis. Several additional economic factors may affect – or be affected by – investment migration programs, but often not as straightforwardly as presumed. The sections below highlight key points to bear in mind when assessing economic outcomes.

Social Welfare

Various voices have raised concerns that investor migrants may effectively, shop for social services and drain resources from the social welfare state in

[3] See Kristin Surak and Yusuke Tsuzuki (n 4).
[4] POLITICO Studio, 'Investment Migration: an Opportunity to Improve and Gain Trust' [6 May, 2021] https://www.politico.eu/sponsored-content/investment-migration-an-opportunity-to-improve-and-gain-trust/
[5] Kristin Surak, 'Marketizing Sovereign Prerogatives' (n 4).

wealthy countries, or that they may take jobs from locals. Interviews, however, do not bear this out across all cases. Wealthy migrants typically avail themselves of private healthcare, and they are far more likely to create jobs through business investment rather than take them. Public education may be the main exception. Furthermore, governments have, in the main, established protections to ensure that investors do not freeride on public provisions or erode employment opportunities for locals. In the EU cases for example, investors are required to maintain private health insurance to protect national health systems. To insulate the local labor market, countries such as Cyprus and Greece have explicitly forbidden investor residents from employment. In Ireland, investor residents are actually aiding the faltering welfare state: the Irish government has used RBI investments to pay for the provision of social housing and health care. As such, its RBI program has become a means to enhance public provision in a time of shrinking government expenditures.

Secondary Spending

Difficult to operationalize is the extent of secondary spending brought to a country by its investor migrants. Unsurprisingly, wealthy individuals give out far more on housing, food, clothing, education, services and luxury goods than the national average. This secondary spending will be particularly significant in programs that require physical presence, such as the RBI schemes in many Anglophone countries. Interviews reveal that even countries that do not require their investor migrants to spend time in them may see their new residents or citizens move additional business interests into the country as well. The reverse may occur too. When the UK did not renew Roman Abramovich's RBI visa in 2018, he suspended the construction of a £1 billion football stadium that remains in limbo at a substantial loss to the economy.

Tax

A common assumption is that investors select CBI programs in order to evade taxes. However, the relationship between investment migration and tax is not straightforward for – as is often misunderstood – citizenship or a residence permit do not equal tax residence. In the first instance, a person becomes a tax resident in any country where she spends at least 183 days each year, no matter what her citizenship might be. If a person spends less than 183 days in any single country, then other rules are applied to determine the individual's tax home. These depend on the countries involved, but generally proceed by assessing the location of the person's center of vital interests. At the extreme end are the very peripatetic who may have trouble establishing a clear tax home and therefore risk losing the benefit of double taxation treaties with the result that all countries where they have ties may try to tax them. Adding to the complexity are the great variety of taxes that can apply to an individual as well, such as capital gains tax, inheritance tax, and import taxes and the like. Even temporary travelers making a small purchase at a store can be subject to VAT taxes.

The United States is the key exception, which – unusually – levies income taxes on all its citizens and permanent residents for life, no matter where they reside.[6] The result is a demand for expatriation (and for a second citizenship if not already in hand) among those who base their lives outside the fifty states.[7] It was only when Boris Johnson sold his house in London and was threatened with a hefty tax bill from Washington that he renounced his US citizenship.[8] Furthermore, shedding membership is not cheap. Those who give up their US citizenship or permanent residence can expect to pay an "exit tax" on all of their global assets above USD$2 million, valued as if they were sold on the day of renunciation.

Because an investment is involved in qualifying for most programs, tax is involved as well. If one purchases a property to gain an RBI visa, then stamp taxes, property taxes, VAT taxes, and others will apply, unless a country has a zero-tax rate in any of these fields. In such cases, investors, like most people, will look at the tax options available and *ceteris paribus* select the option with the lowest taxes – a tax-avoiding logic that is far from tax evasion. Notably, too, many of the people applying for investment migration programs come from countries, such as Russia or Vietnam, that maintain

[6] Eritrea has a similar provision but limits its global income tax on residents abroad to 2%.
[7] Challenges in banking abroad since the US launched FATCA are a contributing factor as well. *See* Kristin Surak, 'Millionaire Mobility' (n 4).
[8] Patrick Wintour, 'Boris Johnson among record number to renounce American citizenship in 2016' *Guardian* (London, 9 February 2017).

relatively low tax regimes or are inefficient in taxes. For them, getting residence or citizenship in the EU or North America may actually increase their tax burden.

Of course, for multizens and mono-citizens alike, the standard array of tools for avoiding taxes – trusts, foundations, and other structures – remain readily available.[9] Indeed, if citizenship or residence offered an easy tax solution, investment migration programs would be in much greater demand. The upshot is that their connection to tax is perhaps best encapsulated by the relationship status "it's complicated" – whether or not investment migration is involved.

Estimating Economic Impact

Typically, the economic impact of investment migration programs is estimated by multiplying the minimum qualifying investment amount by the number of applications approved. However, this strategy does not always offer the best indication of the actual revenue coming into a country. To some degree, this may be due to issues around implementation that are difficult to measure adequately: real estate may be sold above market value to investors seeking to fulfill minimum investment requirements, businesses may fail or may not be profitable, and administrative oversight may facilitate the exaggeration of job creation or neglect to register business collapse. The following sections discuss two important on-the-ground practices that result from the competitive nature of the market in investment migration and can impact the economic outcomes of the programs.

Financing

Financing allows investors to make the qualifying investments through loans. In many cases, this means that the investor pays a flat fee to a company that then loans sum required for the investment, transforming

[9] See Ronen Palan, Richard Murphy, and Christian Chavagneux, *Tax Havens: How Globalization Really Works* (Cornell University Press 2010); *also* Jason Sharman, *The Money Laundry: Regulating Criminal Finance in the Global Economy* (Cornell University Press 2011) and Brooke Harrington, *Capital without Borders: Wealth Managers and the One Percent* (Harvard University Pres 2016).

the at-risk investment into a one-off tariff from the investor's point of view. Such options are attractive for many investors, especially ones with business interests in high-growth emerging economies. If investors are posting strong profits in other markets, a one-time fee may be more desirable than parking funds in a low-return investment for several years. Canada's Federal Immigrant Investor Program allowed financing, which was a highly popular choice among program participants. The minimum investment amount increased over time, reaching CAD$800,000 by the 2000s. But rather than leave that amount in Canada for years, where it would post only a small return, investors preferred to pay a CAD$220,000 flat fee directly to the bank assisting with the application, which would then loan the remainder of the qualifying investment. In the end, the entire amount of money required was invested, but much of it was effectively printed within Canada. For the investor, the financing option was the smart business choice in many cases: rather than park CAD$800,000 in Canada for several years at a low rate of return, it was more lucrative to pay a flat fee of CAD$220,000 and then invest the remaining CAD$580,000 back home – which often meant China's high-growth economy – where it might make a return of 30% or 40% per year.

Other countries have instituted financing options as well. Luxembourg, for example, allows 25 percent of the investment in a business or investment structure to be borrowed. Greece permits qualifying real estate to be purchased with a mortgage. Bulgaria, too, allows financing. In all of these cases, the total investment amount remains the same as banks cover the difference. Other countries, such as the UK in 2013 and Ireland in 2019, have moved in the opposite direction, forbidding the use of loans to finance the investment.

In terms of economic impact, financing – if carried out within the issuing country – blunts the extent to which the programs become a conduit for FDI-like investment. In the Canadian case, effectively local banks printed the invested money. Of course, the investment was still made, but it did not take on the character of an external inflow of revenue.

Commissions

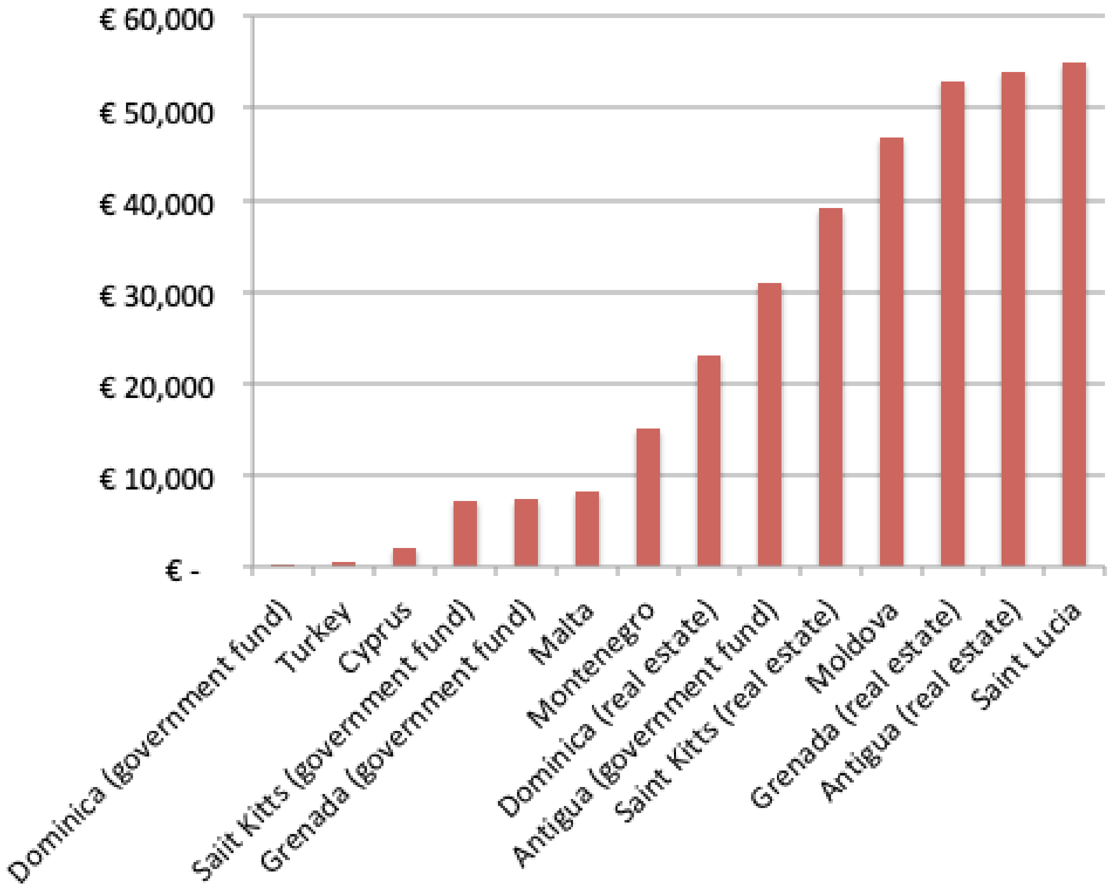
Commissions are a tool for encouraging sales in a competitive market. As described above, most individuals apply for programs with the help of service providers who aid in the preparation of the application and may advise on the selection of programs and qualifying investments. Those who receive commissions are more likely to promote a given scheme or investment channel. Real estate developers may pay commissions, for example, to service providers who bring clients to them. Governments, too, may offer commissions to service providers who submit applications that are approved. Such spending-to-earn strategies may diminish the amount of money the country accrues through the program on a case-by-case basis, but it may expand the overall revenue generated through increased sales. Malta, for example, moved to such a strategy when it amended regulations to the MRVP in 2018 to make it more competitive. Incentivizing agents, it offered a commission of 5% of the contribution fee paid by the applicant to the agent submitting the file, thereby building a commission into the operation of the program. Countries in the Caribbean build commissions into their program structure to boost sales in the face of fierce competition. Antigua, for example, shortly after opening its program announced a commission system "to get it off the ground": service providers submitting approved applications would receive a commission of USD$10,000. As the end stop in a transnational supply chain, the local agent in most of these cases shares the commission with agents downstream, and thus a portion leaves the country, impacting the total revenue a program brings into a country. Yet this may be economically rational for the country if it increases demand overall.

Fees

Finally, it is worth noting that not only the qualifying investments themselves, but also the attendant fees can provide a notable amount of income to governments (Figure 2). Some countries charge only a nominal fee to apply, while others have used fees as a separate revenue source – and one more fungible than earmarked donations. Fees can be used to cover processing costs, due diligence checks, program marketing, and commissions, in addition to other items chosen by the officials in charge.

Fees also have the advantage of not appearing on the advertised sticker price of programs. They can also be a revenue source for governments even when private-sector investment in a domain such as real estate form the core of the program.

Figure 2: Main Application Fees for CBI Programs (single applicant)



Type of Investment

Countries typically offer not just one way to invest, but also a range of qualifying options, which can include investments in real estate, government bonds, stocks and other financial instruments, and businesses, as well as deposits in a bank and donations to the government or to the public good, as discussed above.

Direct donations to the government enable the state to finely control the incoming money and steer it to areas of need deemed most essential. Some countries, such as Grenada and Malta, have established national funds as a way to ensure future economic stability while allowing occasional payouts to support designated social programs. Cyprus required part of the qualifying donations to go to the government budgets for social housing and research and development, effectively earmarking program funds. If, however, the qualifying donations are simply rolled into the overall state budget, as is the case with Vanuatu, it becomes impossible to identify how the resources are spent with any specificity.

Other common qualifying options come in the form of investment. However, in not all cases is the money at risk. Bank deposits and government bond options, which are typically low- to no- interest, are generally risk free, but the economic benefits are more limited to periods when banks need recapitalization or governments are facing high interest rates.[10] It has also been shown that the implementation of government bond options does not in general correspond to economic need.[11] Business investments in particular may have multiplier effects, generating employment and further demand within the economy should the business get off the ground. Some governments, however, do not take success or failure into account – or even whether a business is created in the first place – as was the case in Canada during the early years of the FIIP. In such instances, the economic benefits may be minimal. Other governments, such as the UK, require investors to "top up" the investment to maintain the minimum qualifying amount should business or investment falter. Such policy tweaks will affect the overall economic impact of the programs.

Real estate is the most prevalent qualifying investment for both citizenship and residence programs, and in many cases where multiple options are available it is the most popular choice by far (Figure 3).[12] An example of the scale can be seen in the largest RBI programs in the EU – Portugal, Spain, and Greece – in which more than 90% of the applicants choose to invest in real estate.[13]

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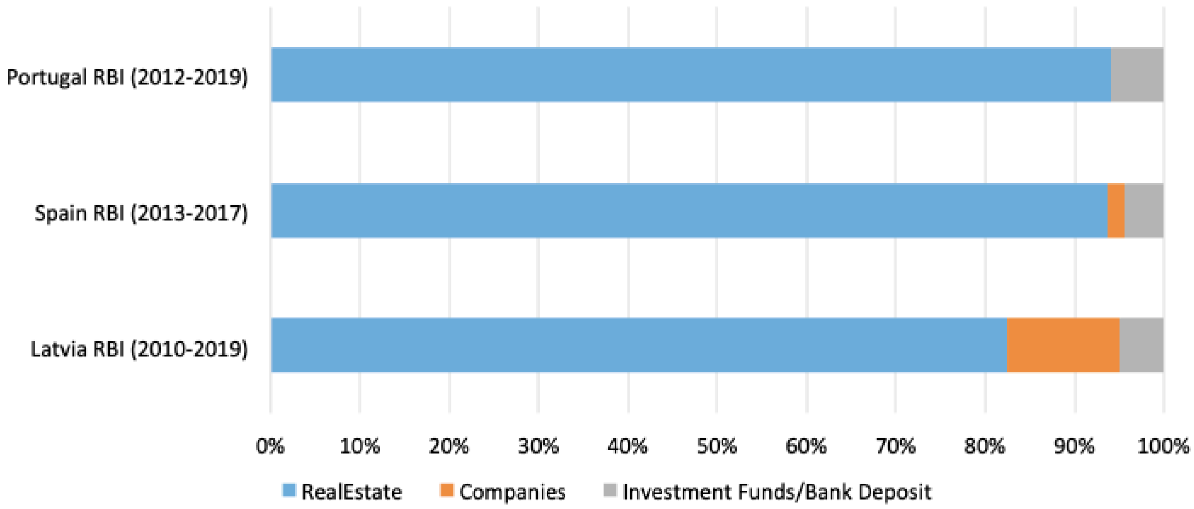
[10] *See also* Boldizsár Nagy et al, 'In Whose Interest?' (n 6).
[11] Kristin Surak and Yusuke Tsuzuki (n 4).
[12] Ibid. This does not hold as a rule in the Caribbean where some countries, such as Antigua, see government donations outflank real estate in popularity.
[13] Ibid.

Figure 3: Qualifying Investment Selected by Main Applicant



However, the form that a property investment takes can vary. In some cases, the investment is straightforwardly a residence for the investor. Cyprus, for example, required investor citizens to buy and continue to hold a home worth at least €500,000. The remaining €2 million of the qualifying investment could go into a business or another development, or it could simply be used to build a very nice personal residence – a phenomenon very common in Turkey's CBI program. In other cases, the real estate investment is frequently a non-residence asset, which can bring multiplier effects. The US's RBI program EB-5 has funded the development of massive luxury projects, including Trump brand hotels and the Hudson Yards shopping/arts/business/entertainment complex in Manhattan. In the Caribbean, real estate contributions typically contribute to building or improving hotels and resorts that can boost the countries' economic mainstay of tourism. Some of the most highly ranked hotels and eco-resorts in region have been funded this way, generating trickle-down benefits through the employment of locals. In these cases, investors typically purchase a residence off-plan, with the money operating as a bridging loan for developers to complete the construction process. In the end, investor may own a time-share within a hotel or resort that is rented out for all of the days the owner is absent – which can be 365 each year.

The economic advantages of real estate investments are maximized when the developers, construction companies, and workers are local to the country, rather than imported from abroad, and when they fund the development of sectors that provide for continuing local employment, such as hotels, resorts, and serviced time-share apartments. However, the economic benefits are more muted if the new developments arrive as flat-packed buildings assembled by temporary foreign workers, as has been the case, for example, in Vanuatu.

Just as critical is the question of the value. Because investment migration programs establish a minimum investment amount, developers may price their products accordingly, even if they are worth less, and investors – seeking to qualify – may knowingly purchase an under-valued property. The result for the local economy is less than ideal in such situations. Some countries, such as Turkey, avoid this issue by requiring independent valuations of all qualifying properties. Furthermore, projects may never be completed. Developers may take a first tranche of funds through the program, which enables them to complete the groundwork of a project. Once the right boxes are ticked, they qualify for a second tranche, at which point, money in hand, they may slow pace of construction to a glacial speed or disappear. Such practices can undercut the overall economic benefit of a program.

Here a caveat on the impact on the local property market is worth making. Many commentators have speculated that the programs have a negative impact on real estate markets for locals,[14] but few studies have examined the empirical outcomes. It is important to note that some of the markets are segmented. Antigua, for example, has zoned the majority of its coastline for tourism development. As a result, few locals are able live on the beach, yet their own real estate market is relatively sheltered from the effect of resorts and high-end developments. A full assessment of the impact of investment migration programs on any real estate market requires neighborhood-level or at least city-level data. In their absence, a few observations can be made about the impact on property markets at the national level. In the case of the EU, the overall impact is insignificant even in the largest RBI programs

[14] Amandine Scherrer and Elodie Thirion, 'Citizenship by Investment (CBI) and Residency by Investment (RBI) Schemes in the EU: State of Play, Issues and Impacts' (Study, European Parliamentary Research Service 2018); *also* Fernando Ampudia de Haro and Sofia Gaspar, 'Visados Dorados Para Inversores En España Y Portugal: Residencia A Cambio De Dinero' (2019) 195(791) ARBOR Ciencia.

in the Mediterranean: investment migration sales in recent years account for less than 3% of real estate transactions. Indeed, citizens of other European countries present more of a destabilizing threat than investor residents do.[15] The critical exception is Greece. The Eurocrisis and Greece's own sovereign debt crisis drove the value of property into decline for nearly ten years until it began to recover in 2019, a year that saw RBI investment skyrocket to around one-third of all real estate transactions.[16] The potential for growth – and a return on the investment – was a key driver of investment into its property market. It remains to be investigated whether the RBI program drove to this shift into growth and if it brings the risk of a real estate bubble. Positive benefits have been noted in other cases, such as Cyprus's CBI program, which has been credited with rescuing its real estate and property development sector – 17 percent of the economy – following the 2008 global economic crisis and the Eurocrisis.[17] However, the potential for negative impacts is visible as well. The program fueled the planned development of massive high rises along coast, funded by investor citizens and aimed at a similar high-end market. However, most of these buildings remained in the initial construction phases when the program was frozen in November 2020 and their future remains unclear.

Macroeconomic Outcomes

What are the economic outcomes of investment migration? Answering this question in detail would require a book. However, a few observations at the macroeconomic level are possible. The macroeconomic impact of investment migration programs is primarily contingent on the size of the economy. For large countries, the direct impact is trivial, though at a sub-national level, the benefits in specific regions can be significant.[18] In microstates, this can be substantial. At public conferences, the Prime

[15] Kristin Surak and Yusuke Tsuzuki (n 4); *also* Iago Lestegás, João Seixas, and Rubén-Camilo Lois-González, 'Commodifying Lisbon: A Study on the Spatial Concentration of Short-Term Rentals' (2019) 8(2) Social Sciences 33.
[16] Kristin Surak and Yusuke Tsuzuki (n 4).
[17] KPMG, 'Cyprus Real Estate Market Report' (Report, KPMG 2020).
[18] See, for example, James D DeRosa, 'The Immigrant Investor Program: Cleaning Up Canada's Act' (1995) 27(2) Case Western Reserve Journal of International Law 359–405 De Rosa 1995; *also* Kristin Surak and Yusuke Tsuzuki (n 4).

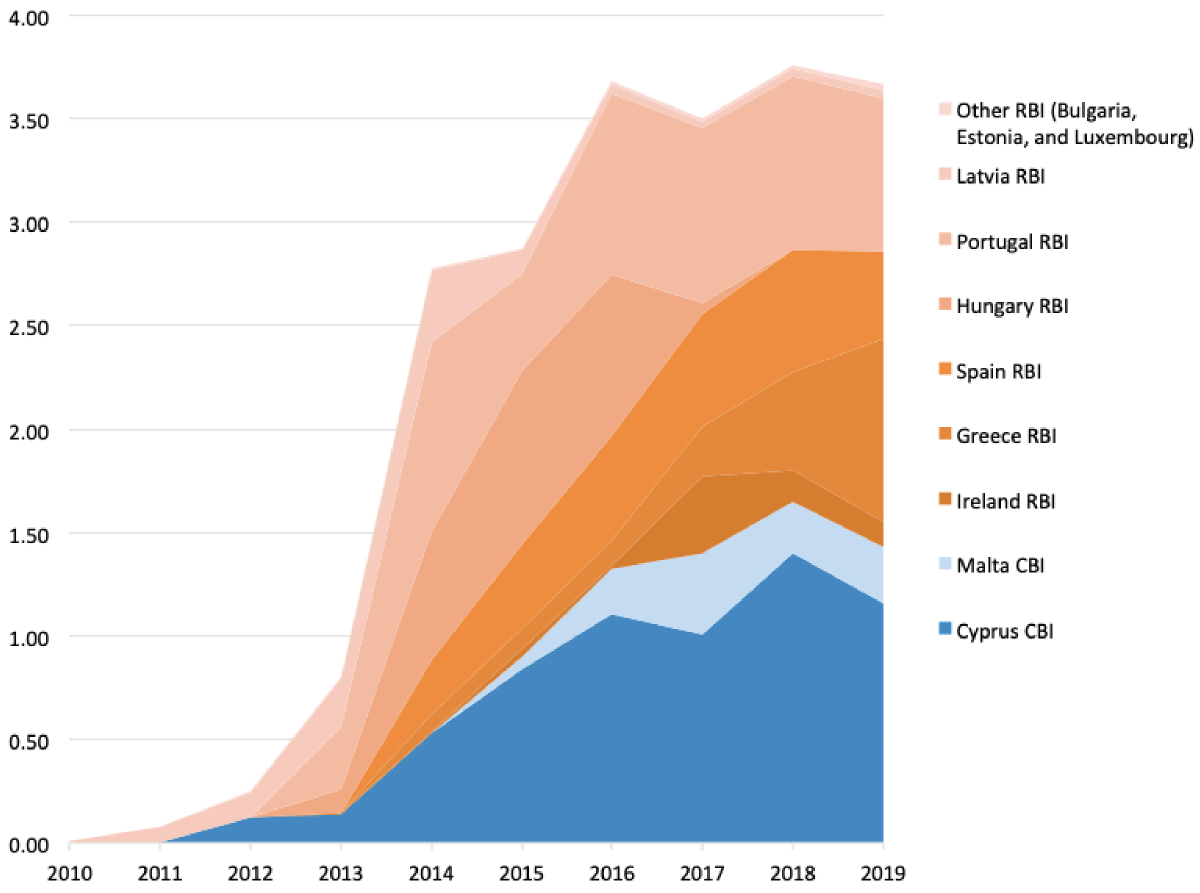
Minister of Saint Kitts has declared that the receipts from its citizenship by investment program accounted for 37% of its GDP in 2015, up from 13% in 2013. In Dominica, CBI brought in an estimated 15% of recurrent revenue in fiscal year 2013/14 – nearly twice that of individual income tax receipts. Antigua's CBI program generated an estimated USD$40 million in 2015, or 15% of government revenue. The country also successfully used expected profits from its program to challenge the International Monetary Fund on loan conditions. Saint Kitts, too, has employed proceeds to shore up its position against external creditors, reducing its debt-to-GDP ratio from 140 percent in 2011 to 66 percent in 2016, and garnering praise from the IMF for prudent management of the funds.[19] The Maltese citizenship by investment program brought in more around €1.5 billion in revenue over its first five years of existence and has been credited with driving the country's first government budget surplus since the 1980s.[20] In addition, as described above, Cyprus's CBI program was an important factor in lifting Cyprus's sizeable property sector out of crisis.

The most systematic comparison of RBI programs to date has found that within the EU the investments received over time totaled nearly €20 billion through 2019. Before the Covid19 crisis, they were generating around €3 billion annually, with proceeds concentrated in the UK, Spain, Portugal, and Greece (see Figure 4).[21] The CBI programs in Malta and Cyprus too were attracting around €1.5 billion each year, their numbers buoyed by higher minimum investment amounts. Beyond a sharp decline in 2015, driven by a confluence of distinct causes,[22] the overall trend has been one of growth.

[19] Trevor Alleyne. 2017. "Consolidating the Country Benefits of Caribbean Citizenship-by-Investment Programs." International Monetary Fund presentation at the Global Mobility and Tax Strategies conference, London, June 27.
[20] See also IMF, 'Malta – Concluding Statement of the 2019 Article IV Mission' (International Monetary Fund 2019); *also* IMF, 'Malta – 2020 Article IV Consultation-Press Release and Staff Report' (Report, International Monetary Fund 2020).

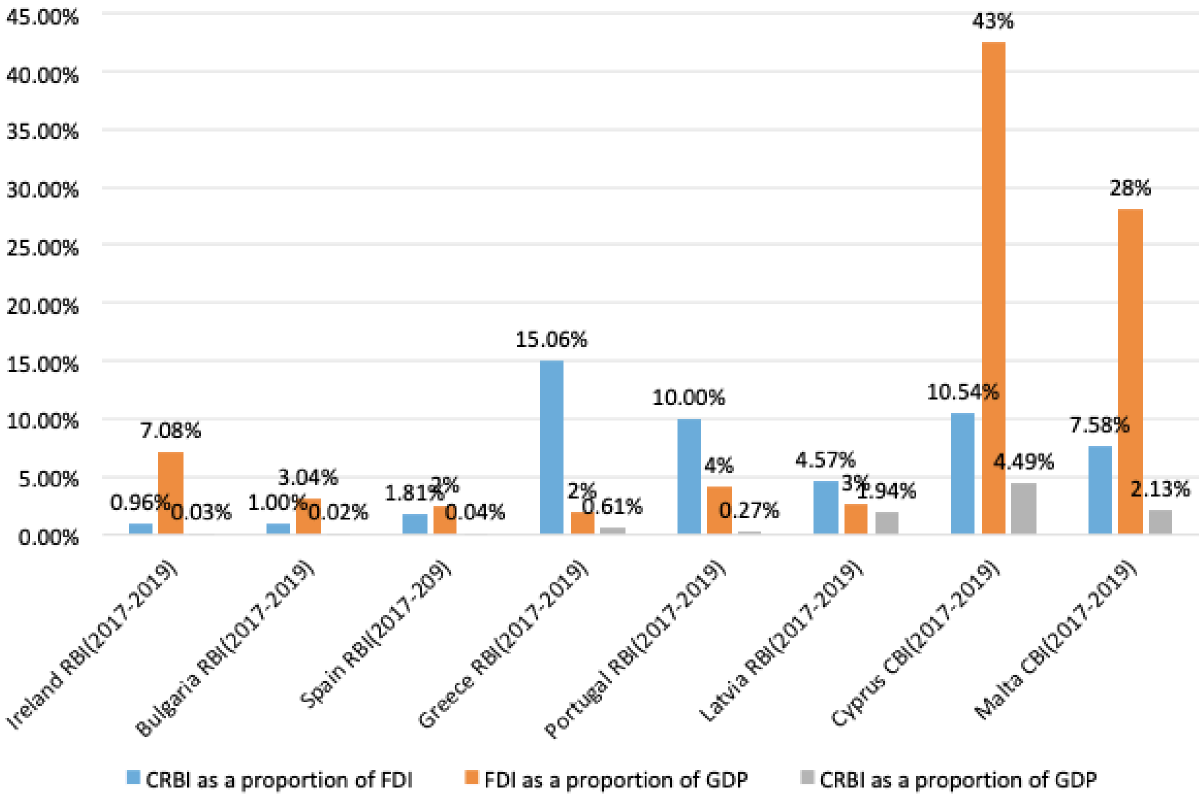
[21] Kristin Surak, 'Citizenship and Residence' (n 7).
[22] See Kristin Surak, 'Who Wants to Buy a Visa' (n 11).

Figure 4: Revenue Generated Through EU Investment Migration Programs (Billions EUR)



The macroeconomic impact of RBI programs in the EU is insignificant as a proportion of GDP due to the large size of the economies and the small size of the programs. However, their relative importance can be further specified. The investment brought in by the programs bears a resemblance to foreign direct investment (FDI) (Figure 5).

Figure 5: Investment Migration Revenue as a Proportion of FDI and GDP



The analysis here uses the three-year average for the period just before the Covid-19 pandemic, which disrupted application processing across all cases. Placed in the context of FDI intake, the significance of some programs is more striking. The schemes in Greece and Portugal have generated the equivalent of 10% to 15% of FDI in recent years – although one must also note that FDI is a relatively minor part of their overall economies.[23] By contrast, the revenue from the CBI programs in Malta and Cyprus is equivalent to a considerable proportion of FDI, which in both countries is constitutes a much more significant part of the economy. Apparent, too, is the far greater importance of these programs as a proportion of GDP, contributing 4.49% in Cyprus and 2.13% in Malta. As these trends suggest, it is in microstates where the greatest economic impact can be observed.

The Caribbean countries with citizenship by investment programs, however, have drawn even more attention to a far greater extent than in the European cases; financing and the over-valuation of real estate, along with

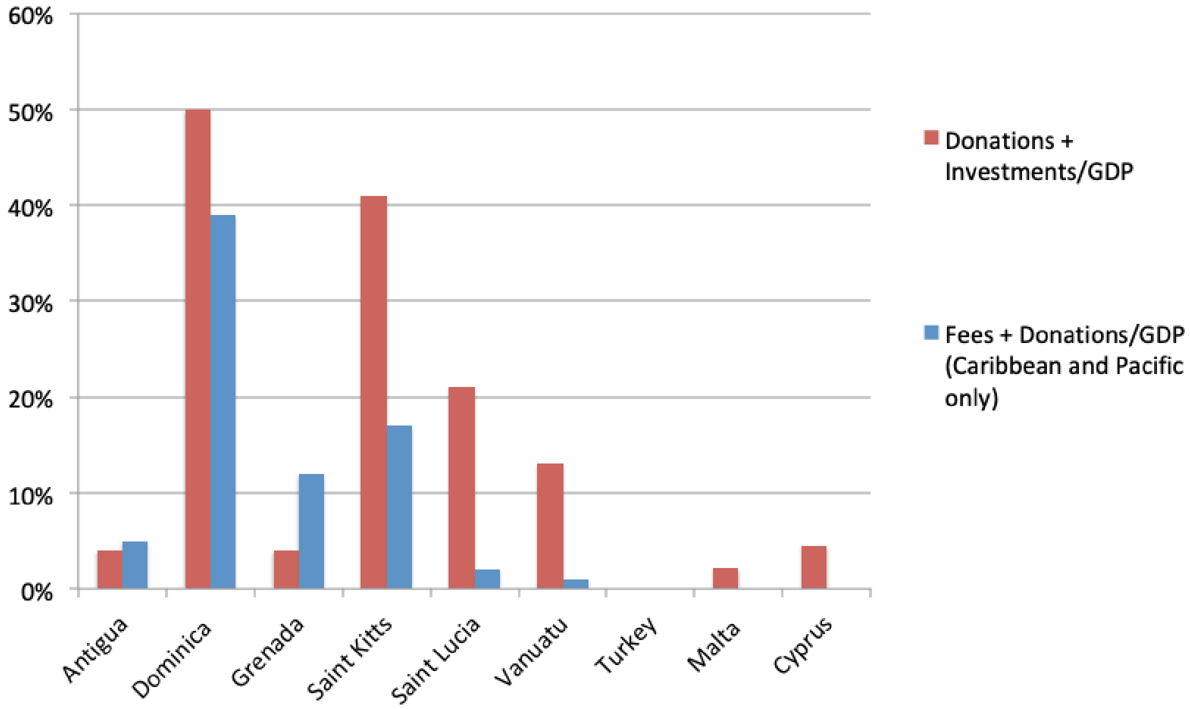
[23] Ibid.

real estate building practices and commission structures discussed above can mute the actual economic benefits of qualifying investments in property. Though an applicant may be required to invest $200,000 in a real estate project to qualify, the actual amount that the developer uses to build a property may be as little as $30,000. If the materials and even workers are all imported tax free, there may be little economic benefit to the country if the project is never finished, though it may help generate local jobs if it becomes a functioning and popular hotel, resort, or time-share.

However, countries can at least count on the money coming in as fees or donations to the government (Figure 6). Naturally, some will flow out from the country as expenditures, such as to international due diligence firms or commissions to agents. Yet this narrower definition may be a better estimate of the minimum amount of revenue actually gained. In large countries like Turkey, the amount does little to shift the needle. In microstates with powerful economies, like Malta and Cyprus, the intake makes a noticeable difference even within a very general measure like GDP. In economically weaker microstates, the programs are far more significant. For countries with smaller programs, like Saint Lucia, Vanuatu, and Antigua, the macro economic impact can still be great. Those that are yet smaller and approve higher numbers, like Dominica and Saint Kitts, see numbers skyrocket. By a rough-and-ready estimate of intake that multiplies minimum investment amounts and donations by approved applications, the programs can account for up to half of the GDP of these countries. Even using a more conservative estimate, described above, that looks at just the fees and donations coming into the program, represented by the gray bar, shows that the programs have become a remarkable source of revenue for countries like Dominica, Saint Kitts, and Grenada.[24]

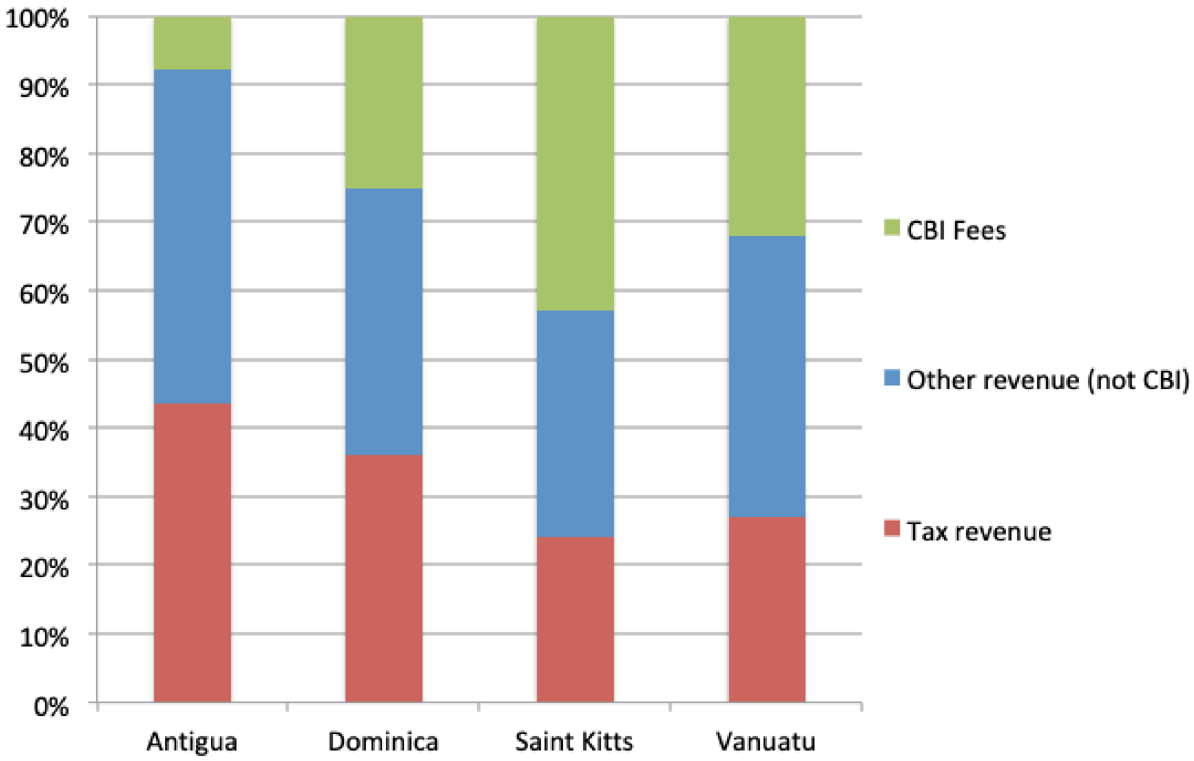
[24] The amount of fees and donations can be higher than donations plus investments if the application fees are sizeable and if investment options are not popular. Full information on fees in Saint Lucia is unavailable and the figure shows an underestimate.

Figure 6: Annual Average Revenue (2017-2019 average)



Indeed, if one breaks this down further, it becomes clear that fees alone have become a major contributor to government revenue in some countries (Figure 7).

Figure 7: Government Revenue Sources (2017-2019 average)



In Antigua's smaller program, this is more muted, yet fees from citizenship by investment applications still account for the equivalent of about 20% of the revenue the government gains in tax. In Dominica, the proportion is yet higher, with fees alone amounting to about 70% of tax receipts and over 25% of the government's entire revenue. In Saint Kitts and Vanuatu, the proportion is yet greater, with governments collecting more in citizenship by investment fees alone than they do in taxes. Indeed, in Saint Kitts, they amount to nearly half of all government revenue.

Conclusion

Are golden visa and golden passport programs a silver bullet? As discussed above, a number of caveats need be borne in mind when assessing the economic impact of these programs, including the impact on social welfare programs, secondary spending, and tax. Furthermore, as this paper has noted, several practices within the competitive global market in investment migration can also diminish the direct economic benefit of the programs. Some of these are, effectively, market costs or the costs of competition that emerge out of the dynamics of the transnational web of service providers that connect buyers and sellers, for they demand a piece of the pie as well. Other costs can come out of ineffective uses of the money, kickbacks, or corruption, which are not unknown to the programs. Yet with these caveats in mind, a rough image can be generated. For large countries with big economies, the macroeconomic impact is negligible, though at the sectoral level, a larger effect may be seen. For small ones, however, the economic impact can be quite significant. As seen in the Caribbean cases, even when using conservative estimates of economic intakes from the programs, they can still account for a significant proportion of GDP. Indeed, in several countries application fees alone have become a key source of government revenue. Should the programs be stopped or curtailed, it is likely to have a significant impact at least in the short term, and countries may possibly turn to IMF loans to close such gaps.

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