

The Rise of Investment Migration



Dominic Volek, Managing Partner, Henley & Partners Singapore, and Head of Southeast Asia discusses how the increase in demand for alternative residence and citizenship is now driving thousands of individuals to investment migration programs each year.

BY:
Dominic Volek, Managing Partner
HENLEY & PARTNERS

THE INVESTMENT MIGRATION INDUSTRY HAS ENTERED a period of rapid evolution, with residence- and citizenship-by-investment now established features of the global economic landscape. Demand for alternative residence and citizenship is now driving thousands of individuals to investment migration programs each year. Today, citizenship-by-investment has grown into a roughly USD 3 billion industry, while residence-by-investment exceeds tens of billions of dollars each year. Investment migration is also much more widespread than we realise – with over half of the globe having provisions for investment migration – although there are only around 60 active programs in place.

While the citizenship programs of small island nations often dominate the narrative, it is large economies that in fact account for the bulk of investment migration activity. More than 36,000 investor visas were issued globally in 2014, and a small group of high-income nations – the US, Canada, the UK, Hong Kong, and Australia – accounted for more than 80 per cent of them.

The industry's growth and evolution are being fuelled by the worldwide shift towards globalisation and global citizenship, as well as high-net-worth

individuals (HNWIs) considering citizenship or residency as a means to improving international mobility, tax planning, and family security while also seeking investment opportunities.

Many HNWIs have begun to see traditional notions of national citizenship as limiting in terms of travel, economic liberty, and culture. With the spread of technology and online communication, large segments of the world's population – far beyond the jet-set – are expanding their idea of community to include the entire globe.

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Certainly, some governments are resisting this globalist view of identity, instead riding a populist wave to become more insular. Yet the proliferation of investment migration programs in recent years makes it clear that many nations are embracing the idea that it is worthwhile bestowing citizenship on carefully vetted individuals who bring benefits that include – but are not limited to – capital, connections, and talent.

Benefits to global citizens

Families with multiple passports or residence permits benefit from each country's best practices and are less vulnerable to a single country's risks, shortcomings, and unexpected changing fortunes. The more jurisdictions a family can access, the more diversified their assets will be and the lower their exposure to both country-specific sovereign risk and global volatility.

High-quality nationalities deliver precisely this broad-based access. Nations within the EU, for example, offer citizens and residents access to all 28-member states, as well as to a number of other countries associated with the EU's freedom of movement regime.

In addition to expanded global mobility and a reduction in sovereign risk, alternative residence and citizenship provide a host of other benefits to individual clients: greater personal security for families in volatile jurisdictions; access to career, educational, and cultural opportunities on a global scale; and the ease and flexibility that come with global asset diversification.



DOMINIC VOLEK
HENLEY & PARTNERS

Benefits to citizens of host nations

The benefits for the citizens of host nations are more frequently overlooked, and yet it is precisely these benefits that make any citizenship-by-investment program viable in the first place. To put the citizenship-by-investment industry into perspective, the establishment of a transparent, well-managed citizenship-by-investment program is not dissimilar to discovering a sustainable source of oil within the confines of a country's national borders.

Both scenarios create an immediate injection of new funds into the national treasury, which means greater long-term prosperity for the country and its people. For smaller economies that face increasing trade and industry competition on the global stage, such an outcome can be transformative.

Apart from the economic and infrastructure gains associated with citizenship-by-investment, successful applicants also bring about intangible benefits to receiving countries, such as scarce skills and rich global networks. They add diversity and they uplift host nations through their demands for improved and novel services, which can create new opportunities for local communities in the host nation.

Benefits to governments

For nations that responsibly offer citizenship or residence to individuals, the benefits flow both ways. The foreign direct investment arising from investment migration

programs results in new capital flows, both to the public sector – in the form of government donations, increased spending, tax revenue, or treasury bond investments – and to the private sector, in the form of investments in businesses, start-ups, or real estate.

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According to recent research conducted by Oxford University, investment migration “is a site of vibrant policy experimentation and growth”. The industry has the potential to advance two important policy objectives: namely, “attracting new financial and human capital to support government budgets and developmental agendas” and “cultivating economically engaged citizen entrepreneurs who can drive economic growth and innovation”.

Overall, residence and citizenship programs can boost job creation, increase tourism, reduce national debt, improve local infrastructure, and enrich local communities. ■

