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Caribbean citizenship by investment schemes

A number of Caribbean countries offer citizenship for investment schemes whereby passports are provided for an investment in real estate or a donation with little or no requirement to reside in the country. St Kitts has the oldest scheme dating from 1984; Antigua, Dominica and Grenada also offer them; and other Caribbean islands have been considering them.

Caribbean Governments facing difficult economic challenges see the schemes as a new source of income; property and other developers are using them to raise capital for new schemes; and wealthy individuals from around the world see the advantage in owning a passport which gives them visa-free travel to many countries.

However, Governments in North America and Europe are beginning to look more closely at the Caribbean's citizenship for investment schemes, after a small but growing number of incidents have raised concerns about who passports are being issued to and the robustness of due diligence checks on applicants.

In May this year, the US Treasury issued an advisory on the St Kitts citizenship scheme due to concerns that some are using the scheme for money laundering. Most recently, the Canadian Government announced that it would impose visas on all citizens from St Kitts-Nevis on 22 November 2014, due to its 'concerns about the issuance of passports' and 'the identity management practices' by the St Kitts authorities in relation to its Citizenship by Investment programme.

It is clear that the whole question of being able, in one or another way, to offer citizenship without a residence requirement is coming under increasing international scrutiny; with the real danger being that ordinary citizens may come to face blanket requirements for visas where none previously existed, as has happened with the case of St Kitts and Canada. Moreover, it appears that some Governments are increasingly seeing the schemes as a threat to security.

Citizenship for investment schemes, of which there are globally very many on offer, provide passports in return for payments or investments of between US$0.1m and US$1m and requirements that range from the challenging to the simple or non-existent regarding residence.

Among those most interested in such provisions are newly wealthy Chinese entrepreneurs whose interest in holding alternative citizenship, or residing elsewhere, relates to unspoken concerns about their Government's anti-corruption drive, personal freedom, or seeking a location that provides an international education for their children.

Wealthy Russians too have an interest in relocating as do a growing number of wealthy citizens from the Middle East, the former Soviet Republics and Africa unsettled by instability and war, and US entrepreneurs who want to escape the US's ever widening tax net.

The problem is that such schemes, the nature of the due diligence undertaken in granting citizenship, and in some cases those who are appointed to sell such schemes globally, have become controversial.

The latest nation to attract attention is Malta, a full member of European Union where its government recently announced a scheme that in effect sells citizenship of the EU in the form of a Maltese passport. Government there had proposed that citizenship would be available for US$890,000 (€650,000) without any residency or investment requirement and without the names of those granted citizenship being published.

However, the proposal, which the Maltese government had predicted would bring in US$ 41m (€30m) resulted in a domestic political storm. It also resulted in concern being expressed by other EU member states as the effect would have been to offer entrance and residency into the other 27 EU member states. The result was the temporary suspension of the programme, a debate in the European Parliament next month, and pressure from a number of member states for consistency across the EU.

In the Caribbean, the revenue raising potential such schemes have understandably become of particular interest to some of the region's smaller heavily indebted nations.

The Grenada Government announced a citizenship programme at the end of 2013 as one of a number of decisions to try to put the nation's fiscal house in order.

Antigua has a similar a scheme, as do Dominica and St Kitts-Nevis which offer investment variations on citizenship without a residency requirement. More recently, British overseas territories have been told by London they may only consider programmes for residence as long as there is no guarantee of citizenship.

In contrast, St Vincent has said that it will not follow other OECS nations. Speaking about this in August, the islands' Prime Minister, Dr Ralph Gonsalves, said, "I know what the downsides are, and I insist that the highest office in the land is that of citizen and it is not for sale.... the passport is the outward sign of the inward grace of citizenship and it is not for sale either". Mr Gonsalves said that instead he preferred to see citizenship garmented to those who "come in and they invest and later on" [become citizens].

Citizenship programmes are extraterritorial in their effect, so the offer of an OECS passport potentially provides any new citizen with the ability to move freely within the region and in some cases beyond, to the Schengen area, to Canada, or to other parts of the world that do not as yet require visas from citizens of certain Caribbean nations.

Not only is this creating unease within some CARICOM countries and the suggestion that there is a need to examine the implications in relation to free movement and national security, but it is also clear that traditional partners are watching closely the development of such programmes.

Recent private research also 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.

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 its citizens most frequently travel to and develop clear procedures in relation to security and the administration of their scheme.

Finally, it is important to be aware of the fact that the governments of China and Russia, the nationals of which make up the bulk of applications to the Caribbean schemes, are now starting to turn their attention more closely to the issue of dual citizenship. China, for example, does not recognise dual citizenship and according to Chinese law, Chinese nationality is lost is foreign nationality is obtained. There has been recent debate about exposing dual citizens, due to concerns over money laundering and corruption. Furthermore, Russia introduced a law in August of this year making it compulsory for any Russian citizen to declare dual citizenship. These developments may well have an effect on the Caribbean schemes for which these two countries are the largest markets.

In its desire to create new sources of income, Caribbean nations are understandably anxious to create new revenue sources. However, if economic citizenship, without any significant residence requirement or the most detailed and exhaustive of checks, were to be proved to have facilitated criminality, money laundering or at worst terrorism, 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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