

The demand for a second passport is on the rise, and at least two nations are willing to sell their citizenship

PASSPORTS FOR A PRICE

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LONDON, FEBRUARY 12

For decades, the two-island nation of St. Kitts and Nevis exported sugarcane to keep its economy afloat. When sugar prices fell, St. Kitts began to sell an even sweeter commodity: its citizenship.

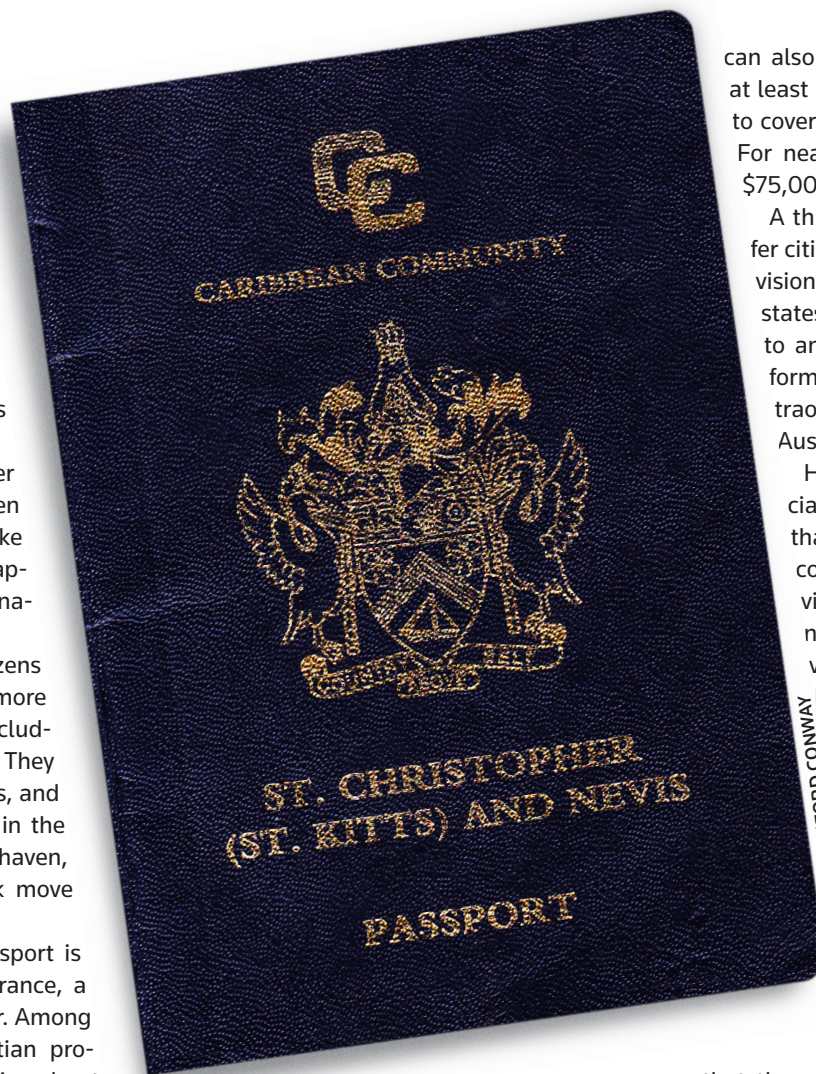
For \$250,000, a foreigner can buy full rights as a citizen there. The transaction can take as few as three months and applicants need never visit the nation's sandy shores.

The allure? St. Kitts citizens can travel without a visa to more than a hundred countries, including Canada and all of Europe. They pay no personal income taxes, and the island's remote location in the West Indies serves as a safe haven, should the need for a quick move ever arise.

Demand for a second passport is "way up," says David Lesperance, a Canadian immigration lawyer. Among his recent clients: an Egyptian pro-democracy activist who worries about instability in his country, and a Chicago businessman who is convinced that the Occupy movements will lead to riots.

On his website, Lesperance provides a questionnaire to help determine how urgently a second passport is needed. He cites higher taxes, civil lawsuits, and terrorist attacks as top expatriation factors.

St. Kitts is one of at least two coun-



tries offering so-called citizenship by investment, burgeoning programs that bestow on foreigners the benefits of being a citizen - namely, a passport - for a price.

In St. Kitts, a passport goes for a \$250,000 cash donation to the country's Sugar Industry Diversification Foundation, which was set up to benefit retired sugar workers. Investors

can also buy approved real estate worth at least \$400,000. Not included are fees to cover a mandatory background check. For nearby Dominica, the basic cost is \$75,000.

A third country, Austria, may also offer citizenship for an investment. A provision in the Austrian Citizenship Act states that citizenship can be granted to an applicant if he or she has performed, or would later perform, "extraordinary services" to benefit the Austrian state.

Henley & Partners, a firm that specializes in repatriation, maintains that investing large sums of money constitutes an "extraordinary service." And Christian Kalin, a partner at the firm, said during a November conference in London that his clients have successfully obtained Austrian passports in this manner. In Henley's brochure, Henley says Austria extends citizenship for those who invest at least \$10 million.

Alice Irvin, a spokeswoman at the Austrian embassy in Washington, D.C., strongly rejects suggestions that the country's citizenship is for sale. "We are aware

that these claims have been around for a while, but they are baseless," she wrote in an email. Henley's CEO, Eric Major, says otherwise.

"The candidate has to have all the right trimmings," says Major. "It's been done, it's possible, but it's fairly rare."

Other Western countries also welcome rich foreigners. The United States, Canada, the United Kingdom and New Zealand all offer

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immigrant visas to those who invest enough money in certain types of enterprise. These programs don't instantly result in passports, but the visas are often a fast-track to naturalization, and in some cases, large investments can expedite citizenship.

"The idea that someone can gain fast-tracked citizenship in a country they have no ties to based on a wire transfer of funds or cash is a far cry from the vision of equal and participatory membership in a political community that is still reflected in many citizenship and naturalization laws," says Ayelet Shachar, a professor of law, political science and global affairs at the University of Toronto's Faculty of Law.

"It is likely that we will see more of these economic citizenship programs," Shachar says, "because there are significant pressures on both the demand and the supply side."

PRICING A PASSPORT

The Henley firm is at the center of the citizenship by investment movement. Registered in Jersey, an island in the English Channel known for its off-shore tax status in the United Kingdom, Henley bills itself as a "citizenship and residence planning" firm that manages and markets parts of the citizenship programs.

As well as helping rich people obtain second, and sometimes third, passports, Henley advises governments on how to attract high-net-worth individuals.

"Today, a person of talent and means need not limit his or her life and citizenship to only one country," reads Henley's website (<http://link.reuters.com/qep36s>). "Making an active decision with regard to your citizenship gives you more personal freedom, privacy and security."

To reach would-be clients, Henley organizes events and throws parties through the jet-set social networking site, A Small World (<http://link.reuters.com/pep36s>). Kalin is on the "council of experts" of the Sovereign Society, a Florida-based newsletter that circulates a six-step guide on how to live completely tax-free and offers subscribers a discount on Henley's services. Another forum is Henley's annual Global Residence and Citizenship conference, held last November in London.

Henley boasts that it can obtain passports for individuals and families in as few as three months. It also publishes a yearly Visa Restriction Index, which ranks a passport's value based on number of countries one can visit without a visa.



REUTERS/STANFORD CONWAY

PROCESSING: Government officials process passports for St. Kitts and Nevis here, in the city of Basseterre.

"Today, a person of talent and means need not limit his or her life and citizenship to only one country."

Last year, St. Kitts was 28th. Dominica was 54th. A U.S. passport and an Irish passport tied for the 5th most valuable. Finland, Sweden and Denmark tied for first place, and Germany and France second and third.

But those rankings can change as quickly as world events. Kalin warned as much at the opening of last year's conference, which Reuters attended.

"It's obvious to you why a Russian or a Lebanese, a South African or maybe a Chinese would need a second passport and residence," Kalin said. "But why would a person from a stable country want one?"

"Until a few years ago, you enjoyed very wide and unhindered visa-free travel as a citizen of Denmark. Until September 2005, when a Danish newspaper published some cartoons. By early 2006, Danish embassies in Damascus, Beirut, Tehran were set on fire, and as a citizen of Denmark you found yourself as a target of extremists all over the world. In some countries, you couldn't even enter."

Kalin paused.

"That is, unless you had a second passport."

EXIT STRATEGY

Such instability is driving interest from the world's wealthiest, those involved in the programs say.

Major, Henley's CEO, says that during the past three years, Henley's citizenship and residence group more than doubled its staff, clientele, and earnings. He won't discuss the particulars but a Henley brochure says nine specialists now handle citizenship matters.

"Uncertainty is a big 'push' factor," Major says. "When North Korea shoots missiles, we get a lot of South Koreans. When there's chaos in Cairo, we get lots of Egyptians on the phone."

Val Kempadoo, a real estate developer in the Caribbean nation, says as many as 30 firms or individuals, based in Moscow, Dubai, Hong Kong, and other cities, are active in referring clients to St. Kitts for a passport.

Adam Bilzerian, a professional poker player and the son of former corporate raider Paul Bilzerian, said he worked through Henley to get citizenship in Austria. But put off by the cost and exclusivity of Austria's program, he purchased property in St. Kitts, filled out some paperwork, and within a year, became a Kittitian. Then, he became one of 231 Americans to renounce his U.S. passport in 2008.

In 2011, government records show, the number of Americans renouncing their citizenship reached 1,788 – the highest number since the government began keeping track in 1997.

St. Kitts' surging citizenship business

St. Kitts' economic citizenship program was established in 1984, shortly after the country's independence from Great Britain. But Kittitian officials, including Prime Minister Denzil Douglas, say interest has jumped in the past few years.

The surge comes hand-in-hand with the involvement of Henley & Partners, which has managed and marketed parts of the economic citizenship program since 2007.

No official numbers have been released about the size of the citizenship program in St. Kitts, but government and Henley employees offered some estimates. Between 1,000-1,500 individuals have obtained passports, either by buying real estate - the government recently raised the qualifying property value from \$350,000 to \$400,000 - or by donating \$250,000 (up from \$200,000) to the Sugar Industry Diversification Fund, money intended to benefit retired workers in the sugar industry.

Most investors got their citizenship in the last five years.

For a country of just 45,000 with a sovereign debt nearing \$3 billion, nearly twice the country's GDP, citizenship is an important source of income. The program alone probably added at least \$200 million to the country's coffers.

Henley refers clients wanting a less expensive alternative to Dominica, where citizenship costs \$75,000. But the incentive to sell St. Kitts is much stronger. For each client Henley brings in, the company receives a client fee of at least \$35,000, plus a share of the investment made into the sugar fund, according to Val Kempadoo, who works directly with Henley and the government on real estate sales and development.

David Checkemian, construction manager for the Four Seasons Resort Estates, says Henley also receives commissions from developers when their clients buy property. How much of a share, Henley won't say.

Minister Douglas credits revenue from the economic citizenship program with allowing St. Kitts to develop tourism, even in tough economic times.

As of late 2011, a Henley catalog listed more than 700 built or planned properties in six high-end resorts that could earn an investor citizenship and a St. Kitts passport.

The government has approved another 23 developments to attract more would-be Kittitians.

(Reporting By Atossa Araxia Abrahamian)

Many Americans give up their citizenship to escape US taxes, but Bilzerian says his desire to leave was different. As a child, he saw his father go to prison for a panoply of financial crimes. In 2001, he watched as FBI agents raided his house. Then, while studying at Vanderbilt, he says he grew more politically conscious.

"When (George W.) Bush was elected for the second time, I felt that the country was going to be in such a downward spiral," Bilzerian said. "They were eliminating freedoms, restricting the bill of rights. It's so hard to keep yourself out of trouble. If the IRS thinks you're doing something wrong and audit you, they make your life a nightmare ... they run you to the ground."

That doesn't mean criminals necessarily

find safe haven with a new passport. St. Kitts and Nevis, Dominica and Austria all have extradition treaties with the United States. But even though countries carry out background checks, some question the thoroughness of the process.

Kim Dotcom, the founder of file-sharing website Megaupload, obtained a New Zealand residence permit by investing 10 million New Zealand dollars - or about 8.35 million U.S. dollars - in New Zealand government bonds through the country's investor visa program in 2010.

Dotcom, a German-Finnish dual national formerly known as Kim Schmitz, is in custody in New Zealand after denying charges of internet piracy and money laundering.

In Dominica, debate rages over the propri-

Passport Power

Some of the countries that Henley & Partners lists for its clients interested in alternative residency, followed by the number of nations citizens there can visit without a visa*

COUNTRY OF CITIZENSHIP	
Denmark	173
Germany	172
United Kingdom	171
France	171
Belgium	171
Italy	171
Spain	170
Ireland	169
United States	169
Austria	168
Switzerland	167
New Zealand	166
Australia	166
Greece	166
Canada	164
Singapore	164
Liechtenstein	158
Slovak Republic	157
Poland	154
Lithuania	153
Cyprus	150
Monaco	150
Hong Kong (SAR China)	149
Bulgaria	143
Israel	142
Bahamas	136
St. Kitts-Nevis	131
Croatia	122
Mauritius	122
Panama	114
Serbia (Rep. of)	100
St. Vincent and the Grenadines	91
Grenada	86
Belize	83
Dominica	82
United Arab Emirates	67
Dominican Republic	48

*Includes visa purchased on arrival

Source: Henley & Partners

ety of citizenship by investment.

"I am not a fan of the economic citizenship program," says Crispin Gregoire, Dominica's former ambassador to the United Nations. Gregoire says he wants greater transparency and better screening in the citizenship process.

"As it stands, it encourages people with something to hide. I understand that it must be a big source of income for the state, but they're not doing a good job of regulating it."

BUCCANEERS

Some Kittitians criticize the extent to which citizenship by investment is changing the political - and physical - landscape of their island. Dwyer Astaphan, a former Kittitian minister of national security, justice, and legal affairs, complains that former sugar industry workers, intended to be the beneficiaries of the sugar fund, have no way of knowing where the money goes.

"There's no transparency," he says. "Imagine making a contribution to a foundation to get citizenship of a country, but the inside information of the foundation is kept secret!"

Astaphan also questions where Henley's responsibility ends and the government's begins.

Wendell Lawrence, a partner at Henley, is also St. Kitts' ambassador to CARICOM, the Caribbean Community and Common Market economic organization. SIDF.org, the sugar program's website, is registered under the name of Henley's chairman and to its office address in Jersey.

The St. Kitts official in charge of the citizenship by investment unit, Cheryleann Pemberton, says the sugar program is "an independent charitable foundation" registered privately.

Kempadoo, who is developing a new resort called Kittitian Hill, worries that public-private partnerships such as Henley's compromise the island's sovereignty.

"They're pirates of the Caribbean," he says of companies handling the citizenship business. "The situation of the country predicates that they are open to citizenship by investment. St. Kitts' debt is 180 percent of its GDP. How can the government say no?"



MEGAMANSION: The mansion in Auckland of Kim Dotcom, founder of Megaupload who invested in New Zealand's investor visa program.

REUTERS/NIGEL MARPLE

GLOBAL BUSINESS

Henley has advised Canada and the United Kingdom on how best to attract wealthy individuals through their investor visa programs. "They're an obvious way to raise capital in trying times," says Major, of the expedited visas.

Henley is also advising several other countries that want to adopt citizenship by investment, Major says. Among them: Malta and Croatia.

All the countries that offer or hope to offer citizenship by investment have very low income tax rates, which make them particularly attractive to Americans, who face life-long tax reporting requirements regardless of their residence.

The only way to escape U.S. taxes is by renouncing U.S. citizenship - and finding a new one.

Marshall Langer, an offshore tax and repatriation attorney who spoke at the November conference, talks about the benefits of the program in crasser terms.

"It's not enough to just move your assets anymore," Langer says. "Today, you have to move your ass."

(Edited by Blake Morrison)



CITIZEN: Former U.S. citizen Adam Bilzerian renounced his U.S. citizenship in 2008 and became a citizen of St. Kitts.

REUTERS/STANFORD CONWAY

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