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Island Havens for Investment Citizenship

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DUBAI — While the London Olympics opening ceremony was under way in July, a Syrian businessman in Dubai watched the team from the Caribbean island federation of St. Kitts and Nevis parade on his television screen.

“I had never heard of St. Kitts until I started researching the country last year, but now I expect to become a citizen in a few months,” said the businessman, who said he had applied in July for second citizenship there. He declined to be identified because his application was still being processed.

While some Western billionaires may emigrate or adopt new nationalities for tax reasons, rich citizens from the Middle East, North Africa, Iran and Pakistan have other reasons. Since the 2001 attacks on the United States, many have become wary of visa problems, the disruption caused by international economic sanctions against Iran and, more recently, the political and economic instability following the Arab revolutions.

To escape the region’s troubles, they are paying from \$100,000 to millions to qualify for citizenship-by-investment programs — known as economic citizenship — offered by several countries, including Canada and St. Kitts and Nevis.

St. Kitts and other Caribbean island states, like Dominica, have some of the most popular economic citizenship programs, handing applicants’ passports a few months after they have invested in certain programs.

In the past five years, political and economic conditions in the Middle East and North Africa, “such as the financial crises of 2008 and of course the Arab Spring, were the key factors explaining the phenomenal increase of demand for residency and citizenship by investment programs,” said Armand Arton.

Mr. Arton, chief executive officer of Arton Capital, a financial advisory business based in Montreal dealing in immigrant investor programs, said his firm had provided advice to more than 500 families in 2011 and that 75 percent of them had been from the Middle East.

Lebanese citizens, Syrians caught in a bloody civil war and Iranians suffering from ever-tightening U.N. and Western sanctions aimed at Tehran's nuclear program are among the people most eagerly seeking second citizenship.

"The first choice for Iranians and Syrians right now who need a fast solution to their problem is to have another nationality and passports so they can move their families and money without sanctions and restrictions," Mr. Arton said.

Some countries, like Bulgaria, Britain and Canada, offer economic citizenship programs but take years to process applications, he noted. Others, with a pressing need to cut public debt and attract foreign direct investment, move faster. St. Kitts and Nevis, with a population of about 55,000 and a debt-to-gross domestic product ratio of 154 percent at the end of 2011 — one of the highest in the world, according to figures from the International Monetary Fund — is a case in point.

The international consulting firm Henley & Partners, which specializes in real estate, residency and citizenship services, has seen the number of its Middle Eastern clients seeking second passports more than from one year to the next since the start of the Arab revolution, said Marco Gantenbein, a partner based in Dubai.

"Applicants are usually from unstable countries where they are afraid their family will be blocked from traveling outside a country and they are afraid their assets could be frozen," Mr. Gantenbein said.

Citizenship demand has spawned a lucrative business for law firms, financial intermediaries and even banks like HSBC, which offer investor immigrant services.

Range Developments, a hotel developer based in the United Arab Emirates, joined with Hyatt Hotels this year to promote a luxury resort hotel project in St Kitts. Investors putting a minimum \$400,000 into the Park Hyatt St. Kitts program will qualify to apply for economic citizenship.

Rising demand has recently prompted some countries to raise the entry bar and tighten regulatory controls: Dominica, for example, increased its minimum investment threshold this year, while Canada temporarily suspended its federal immigrant investor program in July and has started to strip citizenship from people found to have lied about their residence qualifications in their applications to the program.

“Everyone prefers Western citizenship,” said Sam Bayat, managing director of Bayat Legal Services, a Dubai law firm specializing in [immigration](#) law, referring to the United States, Canada, Britain and other European countries.

But, he noted, “migration to Western countries has become more difficult,” because of an increasingly strict application of physical residency requirements: “Getting citizenship has become almost impossible without staying — and of course the second problem is international travel and sanctions.”

As a result, economic citizenship programs offered by states like St. Kitts and Nevis, which apply no physical residency requirements, have become “extremely popular,” Mr. Bayat said.

Yet even there, some would-be citizens are starting to find that the door is closing.

Responding to the tightening of sanctions on Tehran, St. Kitts stopped accepting Iranians living in Iran a year ago. It now processes applications only from Iranians already living abroad.

Advisory firms have also become more choosy: Henley & Partners says it stopped accepting Iranian clients last year, while Mr. Arton said his firm had turned down a Libyan client after due diligence found that he had links to the slain Libyan leader Col. Muammar el-Qaddafi.

Still, the loss of potential clients has been offset by a surge in applicants from countries like Syria, Lebanon, Iraq and Egypt, who increasingly see the benefit of holding multiple nationalities.

“Passport collectors are always sophisticated businessmen,” Mr. Arton said. “Because they have had limitations with their passports of origin, now that they can afford it, they prefer to have more than one passport and apply in parallel in two or three programs.”

Multiple applications protect against the risks that programs might be canceled or passports withdrawn. Grenada, in the Caribbean, for example, halted a program in 2001 amid U.S. security concerns and Canadian concerns over money laundering.

Still, Grenada’s government has proposed a new immigration program to help its debt-hobbled economy. Other countries in the Caribbean and Latin America are also likely to join the pack: Mr. Gantenbein said he expected one country to announce a program in November, though he declined to say which.

“With the actual Syrian and Iranian political situation worsening, and upcoming elections in Pakistan, the region is not looking more stable in the next five years, which means demand will continue to rise at least by 30 percent to 50 percent per year,” Mr. Arton said.

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