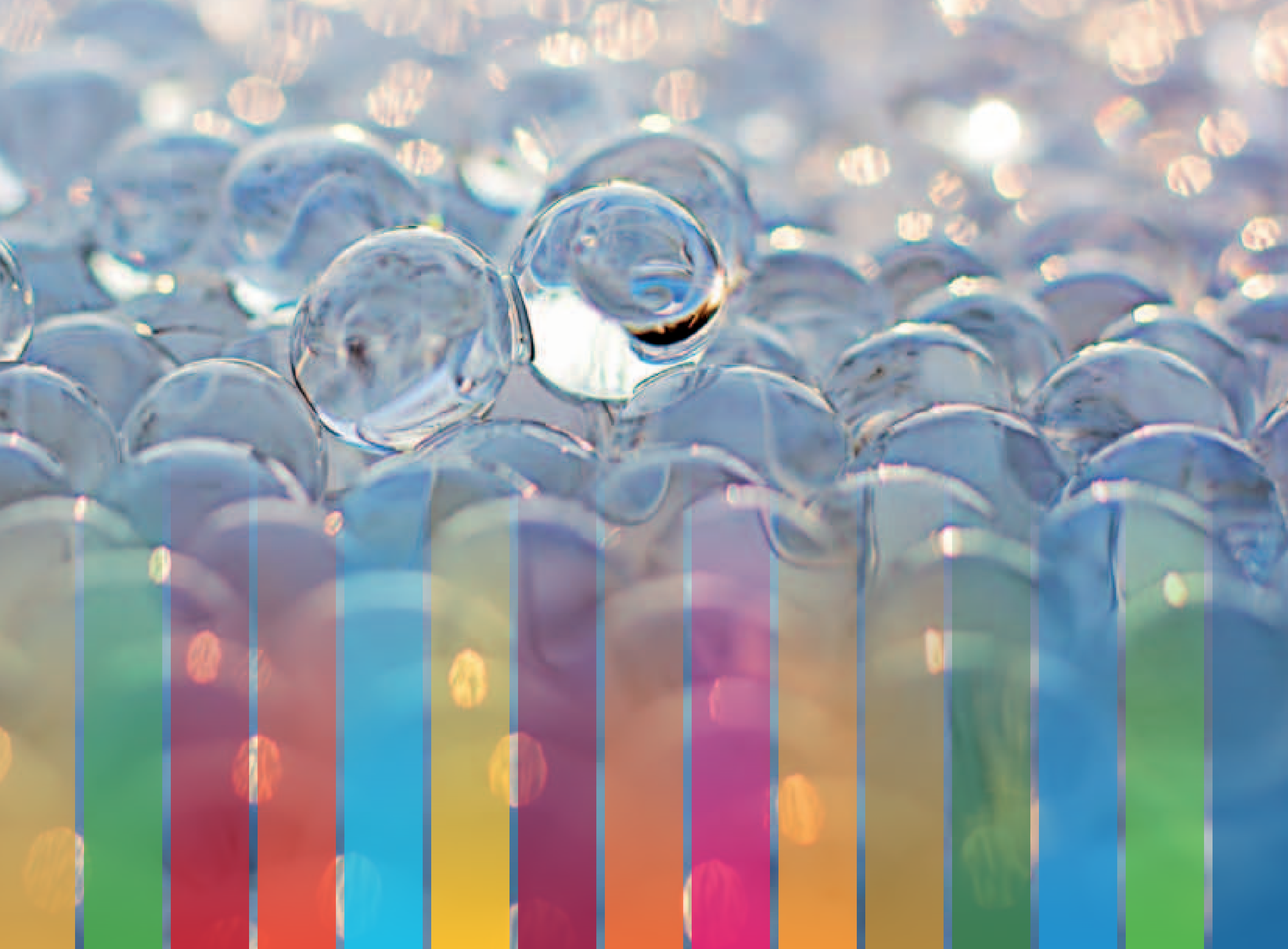
Investment Migration, Economic Development *and the UN Sustainable Development Goals*

Andrés Solimano



INVESTMENT MIGRATION COUNCIL

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International Center for Globalization and Development

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About the Investment Migration Council

The Investment Migration Council (IMC) is the worldwide forum for investment migration, bringing together the leading stakeholders in the field. The IMC sets global standards, provides qualifications and publishes in-demand research in the field of investment migration aimed at governments, policy makers, international organisations, and the public. It is a non-profit Swiss based membership organisation in special consultative status with the Economic and Social Council of the United Nations since 2019 and registered with the European Commission Joint Transparency Register Secretariat (ID: 337639131420-09).

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The International Centre for Globalisation and Development (CIGLOB) is a private, non-profit academic and independent centre oriented to the critical examination of the great problems of contemporary capitalism, globalisation and the process of economic and social development. Its thematic agenda includes topics such as inequality, economic and financial crises, international migration, macroeconomic policies, social policies and economic growth. CIGLOB advocates for an economic development model that is socially equitable, sustainable, and compatible with genuine democracy.

About the Report

The 'Investment Migration, Economic Development and the UN Sustainable Development Goals' Report is being issued in cooperation between the IMC and CIGLOB. The Report was authored independently by Dr Andrés Solimano – a world renowned expert on the subject matter. This Report examines the main trends in investment migration, identifies the development impact of such migration and connects investment migration programmes (IMPs) with the 2030 Sustainable Development Agenda oriented towards fostering economic, social and environmental development that is peaceful, fair, gender-aware, socially inclusive, based on strong institutions, respectful of ecosystems and democracy.

The Report explores how the IMPs can contribute to achieving the United Nations (UN) Sustainable Development Goals (SDGs) and highlights the need to align such programmes further to the new development perspectives offered by the development goals while addressing some distributive issues.

Published in Geneva – August 2020
© Cover photo: Pixabay.com
ISBN (Paperback): 978-2-8399-3006-2
ISBN (e-Book): 978-2-8399-3007-9

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Acronyms

CBIPs	Citizenship by investment programmes
CIC	Citizenship and Immigration Canada
CIGLOB	International Centre for Globalisation and Development
HNWIs	High-net-worth individuals
IMC	Investment Migration Council
IMPs	Investment migration programmes
RBIPs	Residence by investment programmes
SDGs	Sustainable Development Goals
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNGA	United Nations General Assembly

Contents

Executive Summary

The growing mobility of investors, millionaires and talented individuals across national borders is becoming a new feature of globalisation. Although the percentage of the world's population moving under these two modalities is small compared with overall migration flows, investment migration may have a development impact that outweighs its quantitative importance. In the last several decades, an array of countries has created citizenship by investment programmes (CBIPs) and residence by investment programmes (RBIPs) to attract foreign investors and high-net-worth Individuals (HNWIs). The investment migration programmes (IMPs) have not been free of controversies, given the potential 'marketization' of citizenship.

This Report examines the main trends in investment migration, identifies the development impact of such migration and connects IMPs with the 2030 Sustainable Development Agenda oriented towards fostering economic, social and environmental development that is peaceful, fair, gender-aware, socially inclusive, based on strong institutions, and respectful of ecosystems.

While IMPs only mobilise a small fraction of the overall international capital flows, resources generated from CBIPs can provide a considerable contribution to the funding of physical and social infrastructure (targeted by the UN Sustainable Development Goals) in small-island developing states. Indeed, this has already taken place in the reconstruction of infrastructure damaged by hurricanes that have hit countries such as Antigua and Barbuda, Dominica and other Caribbean nations in the last four to five years. In the case of RBIPs in advanced economies, business investment adds to the process of capital mobilisation, current production and job creation (often an explicit target in these programmes).

A next step would be to align these programmes with the new broader concepts of sustainable development, which promote socially equitable growth and ecosystem protection. In turn, better incentives are needed for IMP capital to flow in larger quantities to sectors that create new technologies, support high-value-added manufacturing and foster the development of clean energies and the mitigation of climate change. On the other hand, IMPs can have certain development impacts that need to be more closely monitored: for example, in the real estate market of big cities, where foreign money makes property more expensive for the non-rich, thereby preventing the goal of reducing equal access to housing and affecting economic inequality. Finally, more transparency is needed about the sources of wealth arriving under these programmes as well as the use of preferred tax jurisdictions (e.g. tax havens) linked to the mobility of high-wealth individuals.

I.

Introduction

Investment Migration, Economic Development and the UN Sustainable Development Goals

Andrés Solimano [1]
International Centre for Globalisation and Development

1. Introduction

The growing mobility of investors, millionaires and talented individuals across national borders is becoming a new feature of globalisation. Although the percentage of the world's population moving under these two modalities is small compared with overall migration flows, investment migration may have a development impact that outweighs its quantitative importance.

In the last several decades, an array of countries has created citizenship by investment programmes (CBIPs) and residence by investment programmes (RBIPs) to attract foreign investors and high-net-worth individuals (HNWIs) in part to counteract the adverse effects of economic crises such as in 2008-09 and now, possibly, after Covid-19. Investment migration programmes (IMPs) have not been free of controversies, given the potential 'marketization' of citizenship. Possible drawbacks aside, IMPs may still be a vehicle for fulfilling the ideal of a world where people may choose, freely, their place of residence and even citizenship, in order to pursue preferred life plans. Often, these plans for better lives cannot be accomplished in their countries of origin for various reasons, including economic backwardness, weak rule of law, cultural and political intolerance and other factors. The 'birth lottery', both in terms of individual socio-economic and family background as well as country of origin, is probably one of the most important 'random events' – or 'morally arbitrary factors' in the language of philosophical distributive justice – that are beyond the control of individuals but that largely shape their possibilities for realising their aspirations, talents and potential.[2]

At the level of economic analysis, migration theory has been expanded to include the mobility of two groups: (i) people with special skills and advanced human capital, including professionals, executives, academics, artists, writers, athletes, and those in the entertainment sector; and (ii) wealthy individuals (Solimano, 2008, 2010, 2019). Such distinction between groups should not imply that wealthy individuals lack skills. Quite the contrary. In most cases, they are successful entrepreneurs, lawyers or

1 Elena Basheska's very effective support in the preparation of the empirical part of this paper is greatly appreciated. Help provided by Damian Gildemeister is also acknowledged. Insightful comments by Christian Kälin are appreciated.
2 See Roemer (1996) and Solimano (1998).

doctors. Having sufficient finances and being willing to pay the price, the trajectory they choose to achieve their residency or citizenship rights in the host country is different from the conventional route – a shorter procedure which often frees them from the burden of residing for a specific amount of time in the host country or having to learn the language of that country, to mention but a couple of the regular requirements of other ways of migration.

The origin of wealth is one of the main concerns of investment migration. Finances may come from different sources, including high rents obtained in the financial sector, real estate and equity markets, the exploitation of valuable natural resources and rewards for outstanding talent, or from rent-seeking activities and, sometimes, from illegal activities.[3]

Among their motivations for moving across national borders, the HNWIs often seek to attain, in other nations, protection for their wealth. They come, mostly, from countries such as China, Russia, India, Iran, Brazil, Venezuela, Argentina, Mexico, and others that are outside the core of advanced capitalist nations. Although some of these economies are on their way to catching up with more advanced nations, their level of economic development lags behind them; besides, they are often affected by political and economic instability and potential threats to citizens' wealth. The internationally mobile wealthy often seek to establish their residence, partially or totally, in high-income nations such as the United States, Canada, the United Kingdom, Australia, Switzerland, France and others. Alternatively, they may wish to obtain citizenship (passports) from small countries – often islands-states and independent jurisdictions – that will enable them to enter more than 150 countries in a visa-free fashion, including the countries of the European Union.[4]

An important question is the extent to which the international mobility of investors and skilled individuals can contribute to the economic and social development of their countries of destination. There are many other questions that beg for answers: Does investment migration contribute to economic convergence across countries (e.g. the narrowing in per capita income levels across different economies)? Does this form of migration help to accelerate economic growth and job creation in the host

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3 In the administration of investment programmes, recipient countries try to make sure, through due diligence procedures, that foreign investors have clean criminal records and do not have standing legal disputes related to money laundering, drug trafficking and shady deals. See Oxford Analytica (2020).

4 Kälin (2016), Surak (2016) and Sumption (forthcoming) and Ware, Fortin and Paradis (2010) analyse the various types and consequences of these programmes.

countries? Does it contribute to financing, in a sustainable way, the state budget and balance of payments? Is investment migration a vehicle for the transfer of technology and know-how and poverty reduction? What impact do these programmes have on economic inequality? A full answer of these questions would require further research and analysis around the developmental impact of investment migration.

This Report examines the main trends in investment migration, identifies the development impact of such migration and connects IMPs with an important global initiative: the 2030 Sustainable Development Agenda, which put forward a set of verifiable Sustainable Development Goals (SDGs), launched by the United Nations (UN) and its member states in 2015. The UN SDGs are oriented towards fostering economic, social and environmental development that is peaceful, fair, gender-aware, socially inclusive, based on strong institutions, and respectful of ecosystems. Concrete actions behind these goals include the provision of health services (very relevant at a time of the COVID-19 pandemic), the provision of clean water, adequate education for boys and girls, the elimination of hunger, the reduction of inequality and the launching of investments oriented towards mitigating climate change and preserving planetary resources.

While IMPs only mobilise a small fraction of the overall international capital flows, resources generated from CBIPs can provide a considerable contribution to the funding of physical and social infrastructure (targeted by the UN SDGs) in small-island developing states. Indeed, this has already taken place in the reconstruction of infrastructure damaged by hurricanes that have hit countries such as Antigua and Barbuda, Dominica and other Caribbean nations in the last four to five years. In the case of RBIPs in advanced economies, business investment adds to the process of capital mobilisation, current production and job creation (often an explicit target in these programmes).

The extent to which IMPs contribute to fostering access to assets such as housing is less clear. Investments in real estate often push property prices up, displacing local residents from preferred locations in urban centres. More far-reaching, the new HNWI residents and citizens may strengthen the economic and political influence of rich elites.

2.

Main Determinants of Investment Migration

From a historical perspective, the first CBIP was created in 1984 in the Caribbean island of St Kitts and Nevis, followed by Belize in 1985 (closed in 2002) and Canada in 1986 (Immigration Investment Program, IIP). In 1988, Ireland put in place the Irish Economic Citizenship programme, which was subsequently terminated in 1998. In 1990, the United States created the IIP EB-5 programme.[5] However, the real impulse for these programmes came around the time of the global financial crisis of 2008 – 2009 and its aftermath. Between 2011 – 2014, IMPs were created in Cyprus, Malta, Vanuatu, Grenada, Antigua and Barbuda, and, in the period from 2016 until 2018, in Saint Lucia, Turkey, Montenegro and Moldova.[6]

Investment migration was viewed by national governments as an opportunity to attract fresh capital and revive the real estate sector, tourism and the stock market hit by the global financial crisis. In turn, the acquisition of permanent residence or a new passport is valued by wealthy individuals, mainly coming from politically unstable nations, by the implicit *insurance* that residence in or citizenship of other countries provides. Advanced recipient countries usually offer financial security, quality education, cultural and transport amenities. Financial security is complemented, in island states offering CBIPs, by a nice physical climate.

2.1 Reasons behind the mobility of HNWIs

The traditional direction of movement of HWNIs is from countries perceived as relatively risky to those with more macroeconomic stability, and better financial, legal and political conditions. Investors prefer stability and predictability for taxation levels, business regulations, currency and capital convertibility and the overall orientation of macroeconomic policies. Risks include, inter alia, increased taxation, inflation, confiscation of assets, and ethnic, religious and political persecution.[7] There is ample historical evidence that HNWIs' countries of origin often exhibit a relatively high frequency of macroeconomic and financial crises (although not in China, as the last recession there was in 1976), high inequality, bouts of political instability and relatively weak institutions of wealth protection.[8]

Inequality is another factor relevant to the mobility of the HNWIs. The post-socialist transitions of the 1990s in Eastern and Central Europe and in the former USSR led to massive wealth accumulation by small elites, creating a new class of oligarchs in

5 Security concerns after 11 September 2001 in the USA led to the closing of the Belize programme in 2002. The shutting-down of the Irish programme in 1998 is ascribed to political controversies over dealings with Saudi and Pakistani investors.
6 On 18 July 2019, the Moldovan government suspended the country's CBIP, pending a review.
7 A mechanism for escaping from taxation at home is placing assets in 'fiscal paradises' offering low taxes and overall protection for wealth deposits. Alstadsaeter, Johannesen, and Zucman (2017a and 2017b) offer detailed estimates of 'hidden wealth' in fiscal paradises around the world.
8 Solimano (2018 and 2020).

a context of increased income and wealth inequality. The income-Gini coefficient jumped from nearly 25 per cent in the mid-1980s to over 45 per cent in 2012 – 2014. The rise of wealth inequality was even greater.[9] Well-placed individuals acquired valuable state-assets at low prices in the early years of the transition to capitalism, although private investors faced the risk of potential arbitrary seizing of their property by the state. In China, the main source country of investment migration worldwide, vast amounts of wealth have been accumulated in the hands of investors after decades of very rapid economic growth but investors still seek residence/citizenship abroad through IMPs. In Latin America, wealth has historically been concentrated in the hands of small economic elites.[10] Current estimates of Gini coefficients for net wealth are in the range of 70 – 80 per cent for some Latin American countries and the income Gini is around 50 per cent (the average world income Gini coefficient is roughly 40 per cent; Solimano 2017).

Empirical studies have established that structurally unequal societies (e.g. countries in Latin America), tend to have several economic indicators that are more unstable than in more socially cohesive and egalitarian societies (e.g. Scandinavian nations), (see Easterly 2001). Economies with high inequalities also experience more frequent macroeconomic and financial cycles of boom and bust, along with periods of populism and authoritarian regimes. Historically, these features have prompted the flight of financial capital, human capital and the quest for safe-havens abroad by the very wealthy (Zucman 2013 and Solimano 2019).

Pushing factors are not only of a socio-economic nature but also include the threat of living in cities or countries exposed to terrorist activity, wars and internal armed conflict. Nonetheless, not all people's movement is from unstable developing nations to stable advanced countries. The case of the United States is telling: although it is often seen as a main magnet for migrants from all over the world, in recent decades a number of Americans living abroad have relinquished their US citizenship (a highly valued passport for outsiders) because of the *complexity* of the US tax system and the high cost of filing taxes every year from outside the US (where tax experts conversant on that tax system are in short supply).[11]

9 See Novokmet, Piketty, and Zucman (2017); see also Solimano (2017).

10 This started with land ownership (including gold and silver deposits) allotted by the Spanish crown to delegates after the conquest, then extended to productive capital, financial assets and tradable natural resources such as copper, oil, tin, rubber and others.

11 As argued by Durden (2014), expatriation is fuelled also by concerns about US tax authorities' invasion of individual privacy as they gather information about asset holdings of their nationals abroad. It is also reported that difficulties can arise in simply opening a bank account or getting a mortgage from a foreign bank that does not want to deal with US citizens and consequent surveillance of the flow of US dollars.

When choosing destination countries, the 'quality of nationality' matters.[12] In general, there is a close correlation between the quality of nationality on one hand and the overall level of economic development and quality of life in countries on the other.[13]

2.2 RBI and CBI countries

As already noted, the two main modalities of investment migration are operated through CBIPs and RBIPs. To qualify for these programmes, a range of investments can be undertaken, such as making a currency deposit in a commercial bank, acquiring stocks of registered companies, investing in a fund, purchasing government bonds, contributing to public development funds, buying residential property, or making business investments that carry a certain level of employment generation; priority may be given to investments in geographic areas of lower economic and social development and otherwise depressed areas.

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12 An important effort to measure cross-country differences in this regard is the Kälin and Kochenov Quality of Nationality Index, QNI (Lindeboom and Kochenov 2020). The index ranks countries by level of economic and human development, peace and stability, visa-free access to third countries (freedom to travel), ability to work without permits and special visas (freedom of settlement) and quality of the legal system, conveying useful information for the choice of countries of residence to prospective immigrants.

13 Most of the discussions on international mobility of individuals are cast in terms of nation-states; nonetheless, the reality is that cities are becoming geographic units of increasing importance for foreign residents. Modern and efficient transportation systems, adequate and safe neighbourhoods, a wide supply of museums, cafes, cultural activities, and restaurants are all important aspects when choosing a convenient location in which to settle. A key concern is the quality of the local education system. The British public boarding school system is highly valued by rich migrants coming to the United Kingdom seeking the best-quality education for their children. New York City, as well as other first-world cities, also offers good private schools for the children of foreigners who can afford them, along with excellent museums and cultural activities. An interesting trend is the rise of modern cities in the 'affluent global south' with cities such as Sydney, Melbourne, Perth, Auckland and others that cater for the rich of Asia (Chinese, Indian, Vietnamese), South Africans and people from other nationalities; see Solimano (forthcoming).

Main recipient countries of investment migration

RBIPs	CBIPs
Australia	Antigua & Barbuda
Canada (Quebec)	Cyprus
Cyprus	Dominica
Greece	Grenada
Ireland	Jordan
Latvia	Malta
Malaysia	Moldova (under review)
Malta	Montenegro
New Zealand	St Kitts & Nevis
Panama	Saint Lucia
Portugal	Turkey
Spain	Vanuatu
Thailand	
United Kingdom	
United States	

Source: Investment Migration Insider (2020)

Countries that host investment RBI programmes include advanced capitalist economies, such as Australia, Canada (Quebec), United Kingdom, the United States, European Union Member States and /or OECD countries (Cyprus, Greece, Ireland, Latvia, Malta, New Zealand, Portugal, Spain), as well as developing countries, such as Malaysia, Panama and Thailand. The level of business investment needed to acquire resident status may range from half a million US dollars up to 10 million US dollars and may be required to create a certain number of jobs per year. In countries with high immigration, such as the United States and the United Kingdom, immigration through these programmes (US EB–5 and UK tier 1) represents a small fraction of total immigration, although their economic impact can be disproportionally great.[14] RBI countries in the European periphery, such as Latvia, Greece, Portugal and Spain have created 'golden visa programmes' to help to reactivate their economies after suffering both the 2008 – 09 slump and externally-led austerity policies thereafter.

Countries such as Canada or the United Kingdom make a distinction between an investor visa and an entrepreneur visa.[15] The former suits retired migrants and other HNWIs, while the entrepreneur visa is oriented towards foreigners who want to open and run a business themselves.[16]

China is the main country of origin of applicants to RBIPs. Chinese investors account for 35 per cent of RBI visas in the UK, 65 per cent in Greece, 70 – 71 per cent in the United States and Australia and over 90 per cent in Ireland (circa 2019, *see Investment Migration Insider*). Citizens of Russia, Brazil, Turkey, Iran, the United States and Venezuela also frequently apply for RBI visas in a variety of countries.

The four most important RBIPs for numbers of applicants and visas granted are those of Malaysia, the US (US-EB5), Australia (the Business Innovation and Investment Program (BIIP)) and Greece (the Greek Golden Visa programme). In 2018 these four accounted for a total of 31,300 visas. In total investment since 2008, the seven main RBI programmes have received near 61 billion euros, with the US EB–5 accounting for 62 per cent of the total, followed by Quebec with 22 per cent of the total. Measured by foreign direct investment, the prominence of the US EB–5 programme is even larger (accounting for nearly half of the total).

For CBIPs, St Kitts and Nevis, followed by Turkey, Cyprus and Malta, have issued the largest number of passports since the start of these programmes. Cyprus captures the largest annual CBI revenues (about one billion euros) followed next by Turkey (close to 600 million euros).

14 Sumption and Hooper (2014). As discussed in Oxford Analytica (2020), recipient countries try to make sure, through due diligence procedures, that foreign investors have no criminal records and do not have standing legal disputes related to illegal activities.

15 A study conducted by the Citizenship and Immigration Canada (CIC 2014) distinguishes three classes of business migration: entrepreneur class, self-employed class and investor class, and underscores the passive nature of the investor class category.

16 An economic evaluation of the Canadian investment migration programme in the 2000s (Ware et.al 2010) shows that most applicants are male (92 per cent), 40 to 54 years old (59 per cent) and have spent nearly a year physically present in Canada. Moreover, nearly 90 per cent of them have bought an apartment or house in the country, 55 per cent were self-employed, 10 per cent employed and 28 per cent retired. Interestingly, close to 90 per cent participate in philanthropic activities.

Box 1. Money and Rights in Granting Citizenship

IMPs have stirred controversy among legal scholars, migration experts and informed public opinion. In essence, to qualify for citizenship through such channels, one needs money. In contrast, common ways of acquiring citizenship through naturalisation include marriage, family reunification and a government's decision to grant citizenship to foreign nationals who have provided outstanding services to their host country in fields such as the advancement of science, cultural activities, entrepreneurial endeavours, sports and participation in wars. As Kälin (2016) and Surak (2016) explain, markets create demand for citizenship, with governments serving as the sole producer of the good required (a passport or a residence visa). Investors are willing to pay significant amounts of money either to have a second passport from a small state or the right to reside in high-income nations. Objections to this marketisation of visas/citizenship rights focus on the role of money in this process, replacing the usual assessment of rights and contributions of excellence as judged by the host country state.[17]

Free market economists, on the other hand, posit that paying for a permanent visa or citizenship is a more efficient mechanism than queuing (expensive in terms of time as the process can last months or years and be surrounded by uncertainty as to the final outcome). Chicago Nobel Prize Laureate Gary Becker was among the first exponents of this view.[18] In response to the objection that the paying option would favour the better-off and discriminate against poor immigrants, Becker proposed a system of bank loans for those applying for visa/citizenship. In practice, however, such loans rarely exist, and the paying option tends to benefit the wealthy immigrants most.

The term *'ius doni'*, developed by Kälin (2016, 2019), sees the naturalisation process as an exchange between those applying for citizenship/residence rights (who make a contribution to the state) and the sovereign state that manages the process (and receives their contributions). As explained by Kälin, the term comes from a Latin expression denoting a gift or donation, something more enlightening than a naked, impersonal monetary transaction (*'ius pecuniae'*).

17 Prats (2017) elaborates further, from a philosophical perspective, on the concept of commoditisation of citizenship.
18 Becker (1987).

3.

The UN and the SDGs: the 2030 ‘Agenda for Sustainable Development’

The 2030 Sustainable Development Agenda was officially subscribed and announced by the heads of state and government who met at UN Headquarters in New York from 25 to 27 September 2015 during the celebration of the UN's seventieth anniversary.[19] The Agenda is an ambitious and much-needed initiative for boosting a new global development strategy that is socially equitable and ecologically sustainable, placing, at centre-stage, the need for material economic development to effectively respect the earth and its stock of non-renewable resources.

Operationally, it defines 17 SDGs and 169 targets that are applicable to different national realities: advanced capitalist nations, middle-income developing and emerging economies, small island states, least developed countries (poor nations) and post-conflict nations. The goals and targets in the SDGs reunite areas of critical importance for humanity and the planet and are thought to be indivisible and universal, underscoring the interdependence of goals for human and ecological systems. The SDGs are envisioned as transformative (rather than evolutionary) and provide a holistic development approach. They are a second and more ambitious step in the 15-year cycle initiated by the Millennium Development Goals agenda agreed in 2000 at the UN Millennium.

19 United Nations General Assembly (UNGA 2015).

No	UN SDG	Description
1	No poverty	End poverty in all its forms everywhere
2	Zero hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3	Good health and well-being	Ensure healthy lives and promote well-being for all, at all ages
4	Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5	Gender equality	Achieve gender equality and empower all women and girls
6	Clean water and sanitation	Ensure availability and sustainable management of water and sanitation for all
7	Affordable and clean energy	Ensure access to affordable, reliable, sustainable and modern energy for all
8	Decent work and economic growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9	Industry, innovation and infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
10	Reduced inequalities	Reduce inequality within and among countries
11	Sustainable cities and communities	Make cities and human settlements inclusive, safe, resilient and sustainable
12	Responsible consumption and production	Ensure sustainable consumption and production patterns
13	Climate action	Take urgent action to combat climate change and its impacts
14	Life below water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15	Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16	Peace justice and strong institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17	Partnerships for the goals	Strengthen the means of implementation and revitalise the global partnership for sustainable development

Interestingly, the UN initiative, which embodies a degree of economic and social planning, international cooperation and socially and environmentally oriented development, came after the wave of neoliberal economics that started in the 1980s. Neoliberalism induced policymakers in different countries to adopt policies of privatisation and market de-regulation to foster endless economic growth, often accompanied by rising inequalities and ecological destabilisation. It remains to be seen how this uneasy co-existence between neoliberalism and the SDGs will play out in the medium term.

Box 2. Development Impacts of Financial Flows Associated with Investment Migration

Investment migration entails several development impacts, including some trade-offs between the arrival of foreign capital and social equity. Besides its microeconomic contribution to business creation, the transfer of foreign capital associated with IMPs can help to finance three gaps that are of macroeconomic relevance: (i) an internal gap between national savings and total investment, (ii) an external gap showing up as a current account deficit in the balance of payments (the definition of foreign savings), and (iii) a fiscal gap between fiscal revenues and fiscal expenditure (public sector dis-savings). Such gaps affect a country's ability to finance an increase in investment needed for acceleration in economic growth and employment generation.

Some qualifications are in order regarding the financing of the fiscal and external gaps. The fact that IMP-based revenues support the fiscal budget (and that those extra resources can be used to finance useful things such as ports, roads, hospitals, schools, water and sanitation investments) can also create *dependence* on foreign-based revenues that may not always be available. This is a *sustainability* issue relevant also for the balance of payments. Thus, an over-reliance on IMP money can, somewhat, delay the adoption of tax reforms that provide a more sustainable source of fiscal revenues. For the external accounts of a country, relying too much on investment migration money can also hamper efforts to promote export and import-substitution activities to improve the balance of payments more structurally. These considerations are more relevant for small economies in which foreign flows of funding associated with investment migration represent a high share of GDP, investments and fiscal revenues.

Another effect of CBI/RBI-led capital inflows that policymakers have to take into consideration is the appreciation of the real exchange rate (a rise in the real value of the local currency, either in terms of domestic goods and services or foreign money). This makes the local currency stronger but at the same time it may make manufactured exports and tourism less competitive, potentially harming domestic sectors that depend on foreign demand.[20] Again, this effect tends to be more relevant for small economies more dependent on the tourism sector and light manufacturing.

Another issue is the impact of investment migration monetary flows on real estate markets and the rise in the price of residential property that has been observed in several cities, such as London, New York, Sydney and others that are preferred locations for international investors (sometimes these properties acquired by foreign buyers remain idle as they were acquired as an investment and with no intention of living there). A consequence of rising property prices is that locals may no longer be able to afford to live in the central areas of cities, having to move to urban outskirts where apartment and housing prices are lower (they will also have to spend more time in commuting to work and school). Another issue is the use of tax havens in the same countries that offer CBIPs/RBIPs. Estimates of global offshore deposits show that they may represent around 10 per cent of global GDP, which is certainly a large amount (Alstadsaeter, Johannesen and Zucman 2017a; Solimano 2018).[21] Tax havens are known for affecting the tax base of home countries, depriving their governments of resources needed for national development.

The SDG Agenda identified the following organising principles to guide international development:

People	To end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.
Planet	To protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.
Prosperity	To ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.
Partnership	Global Partnership for Sustainable Development, based on global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

20 Xu, X., El-Ashram, A. and Gold, J. (2015).

21 A positive correlation between the extent of wealth inequality within countries and the proportion of their GDP held abroad in offshore deposits can be established. As shown below, countries that have a large proportion of offshore deposits (ratios over 30 per cent of GDP) have also higher average wealth-Gini coefficients, closer to 0.75, than countries with relatively low proportions of their GDP held in offshore deposits (ratios below 5 per cent), which have lower average wealth-Gini coefficients (nearly 0.65).

National autonomy in prioritising and implementing the different goals within each state is recognised, as are differences between countries' capabilities for achieving the SDGs. It is evident that dissimilar capacities for implementing these goals exist across countries at different levels of development. This is particularly relevant for poor nations and conflict-ridden nations.

3.1 Investment and Financing Needs for the SDGs

At the time the SDGs were launched, the UN Conference on Trade and Development (UNCTAD 2014) estimated that the total investment needs for their achievement were in the order of U$5 trillion to U$7 trillion per year. For developing countries, the financing needs in critical SDGs were estimated at near U$4 trillion per year. Investment in economic infrastructure (in developing countries) such as power, transport (roads, rail and ports) and water and sanitation was estimated at around US$2.5 billion annually for the period 2015 – 2030.

The UN concluded that meeting the SDGs required an important contribution from the private sector.[22] On the financing side, external sources include foreign direct investment, portfolio investment, bank loans, Overseas Development Assistance (ODA) and migrant remittances. Foreign direct investment can play a key role for the SDGs, given its size and its profile of low volatility compared with short-term capital inflows. Total official development assistance reached US$149 billion in 2018, down 2.7 per cent in real terms from 2017, with a declining share going to the neediest nations (i.e. the least developed countries). Bilateral ODA to the least developed countries fell by 3 per cent in real terms from 2017, aid to Africa declined by 4 per cent, and humanitarian aid was cut by 8 per cent.[23] In general, ODA is used for direct budgetary support in the poorest countries and for supporting current spending on SDGs (rather than for capital spending). In turn, a large proportion of remittances by emigrants is spent mostly on household consumption (albeit in developing countries around 20 – 30 per cent goes to education and entrepreneurial ventures, which are net recipients of remittances, Solimano 2010).

In addition to funding, to meet the SDGs, a high level of political commitment is needed along with a capacity for monitoring the state of progress. In this regard, every year the UN publishes a report on global sustainable development, in which the progress towards the different goals and targets is assessed: see the *Global*

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22 The participation of the private sector in physical infrastructure in developing countries (c.2015–18) was in the range of 30 to 80 per cent, depending on countries and regions; its share in health infrastructure is near 20 per cent, 15 per cent in education, between 0 and 20 per cent in adaptation to climate change and nearly 40 per cent in climate change mitigation (UNCTAD).

23 In 2017, total receipts by developing countries from donors of the Development Assistance Committee of the Organisation for Economic Cooperation and Development, multilateral agencies and other key providers were $414 billion, $163 billion of this being ODA. Total ODA to small island developing States from all donors was $4.3 billion in 2017, a decrease of 33 per cent in real terms over 2016, owing to exceptional debt relief operations for Cuba in 2016 (UN Secretary-General, 2019).

Sustainable Development Report, (Independent Group of Scientists appointed by the Secretary-General 2019). Therefore, the ability of states to provide correct statistics is fundamental to meeting progress in the achievement of the goals.[24]

Although significant efforts have been made to coordinate and realise this big multilateral agenda, according to the Independent Group of Scientists Appointed by the UN General Secretary (2019), the world is *not* on track for achieving most of the 169 targets comprised in the SDGs, a situation that will be aggravated further by the COVID-19 crisis. Recent trends along several dimensions, with cross-cutting impacts over the entire 2030 Agenda are not even moving in the right direction. The rising inequalities, climate change, biodiversity loss and increasing amounts of waste from human activity are part of this category of lack of fulfilment.

3.2 Development Impact of Investment Migration and the UN SDGs

Investment migration has various impacts on the process of economic development of countries (see Box 2) and can make a contribution to achieving the SGDs. Nonetheless, it is worth reiterating that CBIPs/RBIPs have mobilised no more than 60 billion euros since 2008. This figure represents a rather small proportion of the total capital movement worldwide (in the trillions). Nonetheless, quantitative and qualitative contributions can be identified, particularly for some categories of vulnerable states.

The economic importance of revenues accruing to CBIPs can be high in small island countries considered by international development agencies as economically and ecologically vulnerable. These economies are often affected by high levels of external debt, dependence on tourism flows and remittances from workers abroad and the incidence of 'climatic hazards' such as hurricanes, changes in ocean levels, acidification and other phenomena. The share of CBI revenues to GDP fluctuates from between 4 and 5 per cent of GDP in Malta and Cyprus to 15 to 18 per cent in St Kitts and Nevis and Dominica. Furthermore, the share of government revenues from CBI income is over 30 per cent in Antigua and Barbuda, Vanuatu, Dominica and St Kitts and Nevis. These resources have made an important contribution to the funding of reconstruction of public infrastructure in the Caribbean islands.

In Dominica, according to a Report by the international consulting firm PwC (2019), public sector revenues coming from CBIPs funded around 40 per cent of government

24 To facilitate tracking the progress towards the 169 targets of the 2030 Agenda, the development of indicators that are consistently defined and measured across countries is very important. The Inter-Agency and Expert Group on Sustainable Development Goal Indicators has developed a global indicator framework that was agreed by the United Nations Statistical Commission. There are currently 232 indicators in the global framework, classified into three tiers depending on their level of methodological development and the availability of data (see Independent Group of Scientists appointed by the Secretary-General 2019).

expenditure in the period 2015 – 2019, with a substantial proportion of those resources oriented towards financing the reconstruction of the country's infrastructure (roads, schools, hospitals), which had been severely affected by the September 2017 (category 5) Hurricane Maria.

Other publicly available reports[25] show that CBI resources in various economies have contributed to various SDGs such as 'good health and well-being' (SDG3), 'Clean water and sanitation' (SDG6), and 'Industry, innovation and infrastructure' (SDG9). For example, in Antigua and Barbuda, CBI resources have been used for activities related to eight SDGs (SDG2 to SDG9) besides investments in SDG13 (climate change) and SDG14 (peace, justice and strong institutions). In Dominica, CBI resources were also invested in activities contributing to meeting goals in the category SDG2 – SDG9. In Malta, programmes have also made investments that contribute to meeting SDG16.

As regards sectors of economic activity, money coming through CBIPs is oriented towards financing physical infrastructure in the tourism sector, such as hotels and multi-use developments, which can be labour intensive, and the financial sector. However, a greater proportion of CBI resources is also needed in high-value-added manufacturing.

For RBI, it is required that business investments create a certain number of jobs. This can be linked to SDG8 of 'Decent Work and Economic Growth' and SDG1 of poverty reduction. In Portugal, Spain and Greece, business investment and venture capital investment funds have contributed to SDG8, although more information is required to assess the quality of the jobs created and the overall respect for labour rights (the 'decent jobs' condition). In the United States, EB-5 investment funds (which account for nearly 50 per cent of the total foreign direct investment coming through RBIs) have also been used to finance hotels, casinos, and large developments, as well as a variety of other investments; it has been a similar picture in the case of the United Kingdom. Again, more resources going towards manufacturing would be welcome.

25 See, e.g. the annual reports of the Maltese NSDF, available at: <https://ndsf.com.mt/en/Pages/Annual-Reports.aspx> last accessed 3 July 2020; see also the annual reports of Antigua and Barbuda, available at: <https://cip.gov.ag/category/reports/>.

4.

Conclusions

IMPs, in both their CBIP and RBIP modalities, started in the 1980s and have spread more widely since the global financial crisis of 2008 – 9. Governments were aware of the need to attract capital and stimulate real estate markets, the tourism sector and other activities affected by a crisis that had led to large employment losses, cuts in current production and the curtailment of capital formation by both the private and public sectors. It is apparent that IMPs, within their limits, provided new resources to help economic recovery in countries hit by the 2008 – 09 crisis and may provide again a source of needed external financing after the Covid-19 crisis that has produced even a more serious economic slump than the 2008-09 financial crisis.

A next step would be to align these programmes with the new concepts of sustainable development, which promote socially equitable growth and ecosystem protection, as endorsed by most countries at the UN in 2015. As documented in this Report, in small island states, flows of foreign financing associated with CBIPs have been able to provide a significant contribution to public sector revenues (amounting to between 30 and 50 per cent of total fiscal incomes) that were used for the reconstruction of physical infrastructure damaged by hurricanes and other climatic hazards.
In advanced capitalist nations, RBIPs also provide resources that are useful to support new businesses, create job generation and help depressed geographical areas. Nonetheless, better incentives are needed for IMP capital to flow in larger quantities to sectors that create new technologies, support high-value-added manufacturing and foster the development of clean energies and the mitigation of climate change. On the other hand, IMPs can have certain development impacts that need to be more closely monitored: for example, in the real estate market of big cities, where foreign money makes property more expensive for the non-rich, thereby preventing the goal of reducing economic inequality. Finally, more transparency is needed about the sources of wealth arriving under these programmes as well as the use of preferred tax jurisdictions (e.g. tax havens) linked to the mobility of high-wealth individuals.

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ISBN (Paperback): 978-2-8399-3006-2
ISBN (e-Book): 978-2-8399-3007-9