

PASSPORTS FOR SALE



While Britons rush to immigration offices to claim dual nationality ahead of Brexit, the world's elite are simply buying it through programmes that sell door-opening passports in return for economic investment. One nation practising the scheme is St Kitts And Nevis, whose offering of visa-free access to 128 countries has sold exponentially thanks to one man. But is it lucrative for all involved? GQ investigates...



Story by **Oliver Bullough**

Views from St Kitts,
where the 'golden
visa' industry was
introduced in 1984

St Kitts needed capital – and fast – but where would it come from? It had nothing to sell. Enter Christian Kälén...

The Swiss have an uncanny ability to make extraordinary things sound dull. No country in modern history has been implicated in more scandals. Nazi

looting, Italian mafia scams, Nigerian kleptocracy, American tax dodging – there's always a Swiss angle. Yet in no country on earth are the citizens so rootedly bourgeois, so ready to look at you sidelong if you absentmindedly put your feet on a chair while sipping your Americano.

Dr Christian Kälin and the waitress were settling the bill. Lunchtime was ending. Sleek diners were gathering their possessions, having had their fill of the excellent cuisine. The fish had come straight out of the Zürichsee, which was so near to the restaurant that its reflections danced on the ceiling. Kälin turned back to me, the bill dealt with, to explain once more about the business he's in.

"It falls into the category of selling, or making available for investment, part of a country's sovereignty. It's like selling stamps. Some countries made a very good business out of creating beautiful stamps for investors. [This is the] same thing," he said. He was comparing his trade to philately or, more accurately perhaps, to the provision of philatelic solutions. And few things sound as mundane as that. Kälin is Swiss, you see, and he was doing his best to make an extraordinary thing sound dull. So I'm going to have to do his boosting for him.

Kälin sells passports. He sells them legally and he sells them by the thousands. He has transformed the lives of his clients and the economies of the countries he's advised and he has made a fortune while doing so. Christian Kälin has changed the world – he thinks for the better, many other people think very much for the worse.

If you are a citizen of a Western country, you probably haven't given passports much thought, but Kälin spends his life thinking about them. His company, whose board he chairs – Henley & Partners – publishes an

annual Quality Of Nationality Index, which assesses the merits of 159 different citizenships around the world.

This year, France knocked Germany off the top spot, with the UK some way behind in 13th. Somalia came last, behind Afghanistan and Iraq. An accompanying map was coloured blue for citizenships that Henley reckoned to be of the highest quality – Western and Central Europe, North America, Japan, the Antipodes and parts of South America. The rest of the world was green, orange or – worst of all – red, to reflect places where a passport can be as much of a hindrance as a help.

The citizens of rich countries enjoy much greater travel and settlement rights than those of poor countries and the logic behind this is obvious. The citizens of rich countries are far less likely to be illegal immigrants than those of poor countries and far more likely to be tourists. For both of these reasons it makes sense to ensure the borders are porous for them and impermeable for everyone else, so that's what the world does.

I have a British passport by birth and a Canadian passport (33rd in the world) from my father, and the primary irritation they cause me is that they require different-sized photographs when I need to renew them. They will take me, visa-free, to 159 and 158 countries respectively and I pass border posts with a minimum of friction. For the citizens of poor countries, people such as Kamal Shehada, no matter how rich they are, things are very different.

I sat with Shehada in the bar of the Marriott Resort on the Caribbean island of St Kitts, where we drank rum cocktails. His parents were from Jerusalem, but he was born in Gaza, grew up in Libya, studied in Britain and became a successful entrepreneur in Dubai, supplying chafing fuel to hotels and restaurants. Yet all the time he suffered the indignity of a passport that gave visa-free travel to just 41 countries. If he had been born an Israeli, his passport would have given

him access to 100 more countries. He had lived in Dubai for nearly 40 years, employed dozens of people and contributed millions to the local economy, but he still needed to apply regularly to a bureaucrat for permission to stay. It was awful.

"When my father died – and he died all of a sudden – his dream was to be buried in Gaza," Shehada said. "We managed to get approval from the United Nations, from the Red Cross, for him to be buried in Gaza, so we flew him from Dubai. But they wouldn't let him into Egypt. He was in 14 airports in a coffin because he's Palestinian."

So, Shehada bought a new passport. He is one of more than 10,000 people who have paid for themselves and their families to become citizens of St Kitts And Nevis, a two-island federation of 55,000 people. With his new travel document, Shehada now has visa-free access to 128 countries – more than the citizens of Serbia or Turkey, for example, and almost as many as the Emiratis. He can now buy a plane ticket to all the countries of the European Union without worrying whether he'll get through passport control at the other end. He could even go to Israel.

Shehada could buy that passport and can travel the world, because of Christian Kälin. And that is a lot more interesting than stamp collecting.

The way Kälin told it, as he filleted his fish, he had always been interested in citizenship. Growing up, he watched Eighties news reports from Ethiopia and obsessed over an alternative universe where he had been born into a starving family of subsistence farmers in Africa, rather than into a middle-class household in the heart of Europe. "I'm from Switzerland, so we have this really nice time eating this really nice fish here," he said. "But if you and I had the bad luck to be issued a bad passport at birth, the odds would be – if you survived at all – that you'd toil away on a farm or in a cellar. So this is what bothered me."

As a child, he collected different countries' citizenship laws, writing to their embassies and requesting assistance from no doubt slightly baffled diplomats. He discovered that there are basically two different approaches to citizenship, which all countries have in some form or in combination. The oldest of the two is *ius soli*, or right of soil, under which countries consider you to be a citizen if you are born there. A more recent idea, which dates from 18th-century France, is that you are a citizen if your ancestors were – this is known as *ius sanguinis*, or right of blood. Perhaps the most famous example of the latter approach is Israel, but it is not >>

Although St Kitts was not well known, its passport was attractive thanks to its Commonwealth connections

CITIZENSHIP

Entrepreneur
Valmiki Kempadoo
at his luxury Kittitian
Hill development,
January 2016

The fact that
this heavenly
resort exists at
all is thanks to
selling passports

>> alone. Britons with an Irish-born grandparent are enjoying this right when they look to Brexit-proof their life by applying for an Irish passport; so too are Americans who apply for a US passport for their UK-born children.

The way young Christian Kälén saw it, this was absurd. “The system we have is inherently unjust, it’s completely illogical, this nation-state system. Just because you were born in Britain or Canada or somewhere, or to a British or Canadian mother or father, you have a really privileged life,” he said. “If you were born in South Sudan your life would be very different than as a British-Canadian and that’s mainly a factor of citizenship. If you’re born in South Sudan but have an American passport, well, you’re OK.”

How a country confers citizenship is its own business, but it remains one of the touchiest matters in modern politics. There is clearly no chance of Western politicians letting in unlimited numbers of people from Ethiopia or South Sudan, even if they do privately agree that it is unfair for those countries’ citizens to lack the benefits we take for granted. And that is why Kälén became interested in a third principle of citizenship. He calls it *ius doni*, the right of gift; others call it *ius pecuniae*, the right of money – and it is present in the small group of countries that sell their passports to anyone able to afford them.

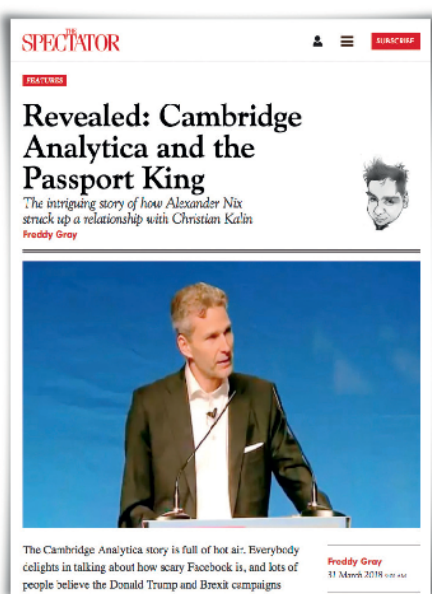
There is, of course, nothing new about selling passports. Crooked officials have sold passports for as long as passports have existed, just the same as they have sold anything of value. But Kälén was not interested in breaking the law or in making deals with corrupt bureaucrats. He wanted to find a way to buy a passport legally, one that conferred rights identical to those enjoyed by people who had obtained citizenship in the traditional manners. And one of the countries that would be prepared to do that was St Kitts And Nevis. The twin-island state’s archives are extremely chaotic, so it’s hard to tell exactly why, in 1984, they decided to start selling passports, but it appears they thought it might attract investment.

This was a better idea than it might at first seem. Although St Kitts was – and remains – little-known, its passport was attractive. Thanks to the country’s Commonwealth connections, Kittitians enjoyed visa-free travel to Canada and the UK, as well to many other English-speaking countries. If St Kitts had approached this opportunity properly, it might have raised a lot of money.

However, this was far from the case. Only a few dozen passports were sold and these went to clients who wanted to change their identities for nefarious reasons – drug dealers, tax dodgers and the like – which hardly improved the reputation of the country.

At the time, Kälén was trying to make a go of his business idea, trying to obtain better passports for people who were held back by their nationalities and he found the St Kitts situation extremely frustrating.

“It was really dysfunctional, in the sense that it took too long. There were three or four ministries involved. You saw the archives in the country – now imagine you need a signature from this ministry or that ministry. They were just not efficiently organised,” he said. He needed the country to let him redesign its programme. He could supply the clients, St Kitts could supply the passports, and together they could get rich, if only they would listen. And, finally, his chance came.



A Spectator article about Christian Kälén and Cambridge Analytica, 31 March 2018

At the time, St Kitts’ main industry was sugar, but that was a tough way to make a living, vulnerable as it was to global price fluctuations, dependent on large numbers of unskilled labourers and constantly competing against larger and better-capitalised rivals on the mainland. St Kitts had nationalised its plantations and kept them alive with government subsidies long after most neighbouring islands had given up and switched to tourism. The ruling Labour Party was deeply embedded in the sugar workers’ union and the industry was central to its worldview.

Around three-quarters of the island’s agricultural land was given over to sugar, seven per cent of the island’s workers were employed in the fields and sugar accounted for almost a quarter of its exports. Then the European Union lost a trade dispute over sugar quotas and the shock came. Previously,

the EU had provided preferential access for former colonies such as St Kitts And Nevis, but now it had to cut the price it paid for their sugar by more than a third. “We could not continue to subsidise sugar,” remembered Denzil Douglas, then prime minister of the federation and now leader of the Labour Party in opposition. His government decided to follow the obvious path for a Caribbean island to earn a living: tourism. “But how were we going to turn the economy very quickly from one dependent on sugar and agriculture to services, especially led by tourism and hospitality?”

Almost half of the population of St Kitts was already classified as either poor or extremely poor and the sugar workers would be losing their jobs when the 2005 harvest ended. Those tourism jobs couldn’t come soon enough, but there was no apparent way of creating them.

The island of St Kitts lacked the world-class accommodation that could attract the kind of high-spending tourists that visited neighbouring islands such as Antigua and it lacked the flights from major global cities that would bring them to the island. This was a vicious cycle: no one would build hotels without flights and no one would lay on flights without hotels. The island needed capital – and fast – but where would it come from? It had nothing to sell. Enter Christian Kälén and Henley & Partners.

“They basically steered us,” said Douglas. Kälén’s idea was to make passport-selling scalable, predictable and reliable. A passport would no longer be bespoke, but would drop off a production line. The Rolls-Royce Silver Ghost might be the most valuable car ever made, but it was the Model T Ford that changed the world. Under Kälén’s direction, Douglas’ government created a one-stop shop for passport sales – the Citizenship By Investment Unit – and a transparent model whereby new citizens could either buy \$400,000 worth of property or invest \$250,000 in a national trust fund (the Sugar Industry Diversification Foundation) in exchange for their passports. The applicants would all be carefully screened by international due-diligence agencies and assured of an answer within 60 days.

Kälén marketed these passports as a clever financial product for the super-wealthy. Partly, they acted like a super-visa. If you were a rich citizen of a poor country, this one-time purchase would let you waltz straight into Britain, Canada or the European Union, without the indignity suffered by your less-wealthy fellow citizens. Passports were also a “plan B” in a world beset by tyranny, unrest, revolution and bloodshed – you might never need a second passport, but if you did, you

really would. The wealthy people buying a passport, with its handsome crest of two pelicans flanking a shield, already kept their money and their children offshore, so keeping their citizenship offshore was merely the logical next step. "I went to several capitals, spoke to private bankers in particular, in Hong Kong, in Switzerland, in Dubai," said Douglas. "My job, as the prime minister and minister of finance, was to present the country to them and show them the sights."

He and Kälén were a convincing double act and the programme was a triumph. In 2005, the year of the last sugar harvest, St Kitts And Nevis sold just six passports. In 2013, the number exceeded 2,000 a year for the first time and it stayed there – reaching a grand total of 10,777 in the ten years leading up to 2016. And these were just primary applicants, most of the successful ones will have brought spouses, children and parents with them.

It's not impossible that, one day, the number of St Kitts And Nevis citizens who bought their passports will exceed the number that didn't and the impact on the country has been huge. In 2010, when the number of passports sold first passed 500, the country's national debt was more than half as large again as its economy. By 2020, national debt is forecast to be 50 per cent of GDP. St Kitts will have paid off a debt burden equivalent to its entire economy in a decade. How else could it have done that, short of striking oil?

The International Monetary Fund sent a team of analysts to take a look and their slightly incredulous assessment was published under the title "Too Much Of A Good Thing?". The report described how selling passports had pulled St Kitts And Nevis out of a four-year recession, as well as "supporting economic recovery, improving key macroeconomic balances and boosting bank liquidity". The fees paid by applicants alone came to 13 per cent of GDP, with payments into the country's trust fund and a construction boom on top of that. They tried very

hard to find a downside but, as far as anyone could see, Kälén's idea didn't have one. It was free money for St Kitts And Nevis, and it has changed the island completely, as Valmiki Kempadoo explained.

Kempadoo is a British-Trinidadian businessman and dreamer, with a wide smile and bags of charm. He had long fantasised about building a new kind of resort for the Caribbean – one where the money stayed on the island to the benefit of the local community rather than the enrichment of distant businessmen. He looked around for somewhere to realise his vision, checking out sites in Grenada and Dominica, before discovering what he called Kittitian Hill.

Kittitian Hill lies on the slopes of Mount Liamuiga, the 1,156-metre volcano that dominates the northern end of St Kitts. Its cottages and villas look out to sea, towards the Dutch island of St Eustatius. On a clear day, you can see the French island of St Barts and sometimes even the British island of Anguilla. At this altitude, a steady breeze blows through the airy rooms and the outdoor dining areas. Market gardeners produce most of its vegetables on site and 100 varieties of mango grow on its trees, monkeys permitting. "We've had lots of issues with food, because of the monkeys and so on, but once we get that sorted out, I would say we'll get to the point when 90 per cent of the ingredients come from St Kitts or the region," Kempadoo said. The resort has its own seafood restaurant down on the beach, as well as a golf course, a gym and multiple infinity pools, including one with its own bar and underwater bar stools.

When Kempadoo bought the site back in early 2008, it was an abandoned sugar plantation. He had no experience of building top-end resorts and then the world economy went into spasm so he had no money either.

The fact that this heavenly resort exists at all is thanks to passports. "It was 2009/2010 and there was absolutely no capital available. The international banks wouldn't lend any more, so there was almost nothing available for the Caribbean," he said over lunch in the resort's open-sided dining room. Those were the years when the double act of Kälén and Douglas were charming wealth managers in Singapore, Hong Kong and Zurich. "It's because of Citizenship By Investment that we got out of the blocks," Kempadoo said.

Since Kempadoo launched Kittitian Hill, other developers have built dozens of property schemes backed by passports. The neck of land around Basseterre, the federation's capital town, is now thick with condominiums, hotels and other construction projects. Some of them are ambitious to the point of lunacy. The new development of Christophe Harbour linked a salt lake to the ocean, turning it into a superyacht marina, built dozens of new villas, a Park Hyatt hotel and more – all on a part of the island that was previously completely uninhabited.

That is extraordinary, but it is not a patch on Kempadoo's balmy, airy haven from the world. On balance, I don't think I have ever seen anywhere that I would more like to spend the rest of my life. It's easy to understand why an extremely wealthy person would be delighted to spend a few hundred thousand dollars for the right to own a chunk of it, particularly if doing so brought them a new travel document as well.

"Our main markets are Russia and the CIS countries – the Middle East and China, primarily. Those are the big three markets and remain so," he said. "People who come from first-world countries cannot even conceive of, or understand, what it's like to be a very wealthy person holding a passport that means you can't travel anywhere without a visa. We had one man in here, a South African who was flying around the world. He'd just bought a private jet. He said to me it was the best half a million dollars he'd ever spent in his life. With a South African passport he couldn't go anywhere."

Kempadoo acknowledged Kälén's role as presiding genius over this novel way to fund development, but he recommended that I look into quite how much money Henley & Partners made for itself, rather than just for St Kitts. "The people who really profited from this are the international agents," said Kempadoo. "They all made significant profits because they all charged fees up front and took that money off the table, took it out of the region, and left the developers with the long-term costs. So, in some ways, the access to that capital became more expensive because of their margins." >>

New citizens could buy \$400,000 worth of real estate or invest \$250,000 in a national trust fund in exchange for passports

>> Kälin said that his firm received \$20,000 each time money was deposited in St Kitts' national trust fund. That was how it took its payment, since the government could not afford to pay up front for Henley's work designing and marketing the programme. One minister from Douglas' government told me that Henley's gross takings approached \$250 million over its time as the exclusive marketing agents for the island's passport – not bad at all. And it was only the start.

In 2012, Kälin terminated Henley's arrangement as exclusive agents for selling the citizenship of St Kitts And Nevis. He does not like to talk about why this happened, beyond some vague comments about how the programme was going in directions that he did not feel comfortable with. Douglas, however, was more outspoken, saying the problem was that Kälin had taken the scheme he created for St Kitts and was marketing it to other countries. While Douglas' government wanted him to continue selling St Kitts And Nevis passports, Kälin was thinking bigger.

An insight into what this might mean emerged recently thanks to the scandal surrounding Cambridge Analytica and its parent company, SCL. Emails leaked to *The Spectator* show Kälin telling the opposition leader in St Vincent And The Grenadines – who had employed SCL – about what investments he could bring in if he implemented a passports-for-sale scheme. As it turned out, even SCL's wizardry did not win the 2010 election for the opposition and St Vincent has not started selling passports, but it was a sign of the ways Kälin was working to expand his idea as widely as possible.

Dominica was already selling passports using the St Kitts model and then, with Henley's stewardship, Antigua And Barbuda joined in. Two other Caribbean countries – St Lucia and Grenada – were looking into selling their citizenship as well and suddenly



Maltese church-goers pay tribute to the murdered journalist Daphne Caruana Galizia at a mass to commemorate her death, 16 April 2018

the marketplace was starting to get crowded. With the countries competing with each other for clients, and those clients coming through Henley, Kälin's role as gatekeeper began to make him more powerful than Douglas or his colleagues were comfortable with. "He was slotting countries where he thinks they ought to fit. And we didn't think we wanted to be slotted," said Douglas. "One person should not direct who should come into our programme. That was the thinking of my cabinet colleagues."

Kälin stopped overseeing the St Kitts And Nevis passport-selling programme and, perhaps coincidentally but probably not, it went badly wrong shortly afterwards. In May 2014, the US government's Financial Crimes Enforcement Network (FinCEN) issued a warning that "illicit actors" were buying passports "for the purpose of evading US or international sanctions or engaging in other financial crime". The St Kitts government

had decided to remove the "Place Of Birth" field from its passports, meaning that it was hard for foreign governments to tell whether someone had bought their citizenship or not, and the Americans were worried that these Kittitians could be Iranians in disguise. November brought even worse news: Canada cancelled visa-free travel for Kittitians, out of concern for the programme's "identity-management practices". A source told Canadian media that the government was concerned about terrorists and organised criminals sneaking into the country.

"A few things were not going in the right direction in St Kitts, in our opinion," Kälin said. "Things become a victim of their own success. The government sees all this money and they become a bit less careful." By 2017, the five Caribbean countries had got into a bidding war and St Kitts And Nevis had cut the price of its passport to \$150,000. Kälin had intended a Kittitian passport to be a prestigious financial instrument, a super-visa and an insurance policy, but the politicians got greedy and that vision was gone. But by this time Henley had outgrown St Kitts altogether. Kälin had his eye on a market with far greater potential and was building the next stage of his dream.

The best citizenships on Henley's map are coloured dark blue and among them is the Mediterranean archipelago of Malta, the smallest country in the European Union, which is home to just under 450,000 people. Malta liked the idea of free money as much as St Kitts did, looked across the Atlantic Ocean and decided that it wanted some of the action. In September 2013, Malta asked Henley and Kälin to design a programme whereby it could sell passports too.

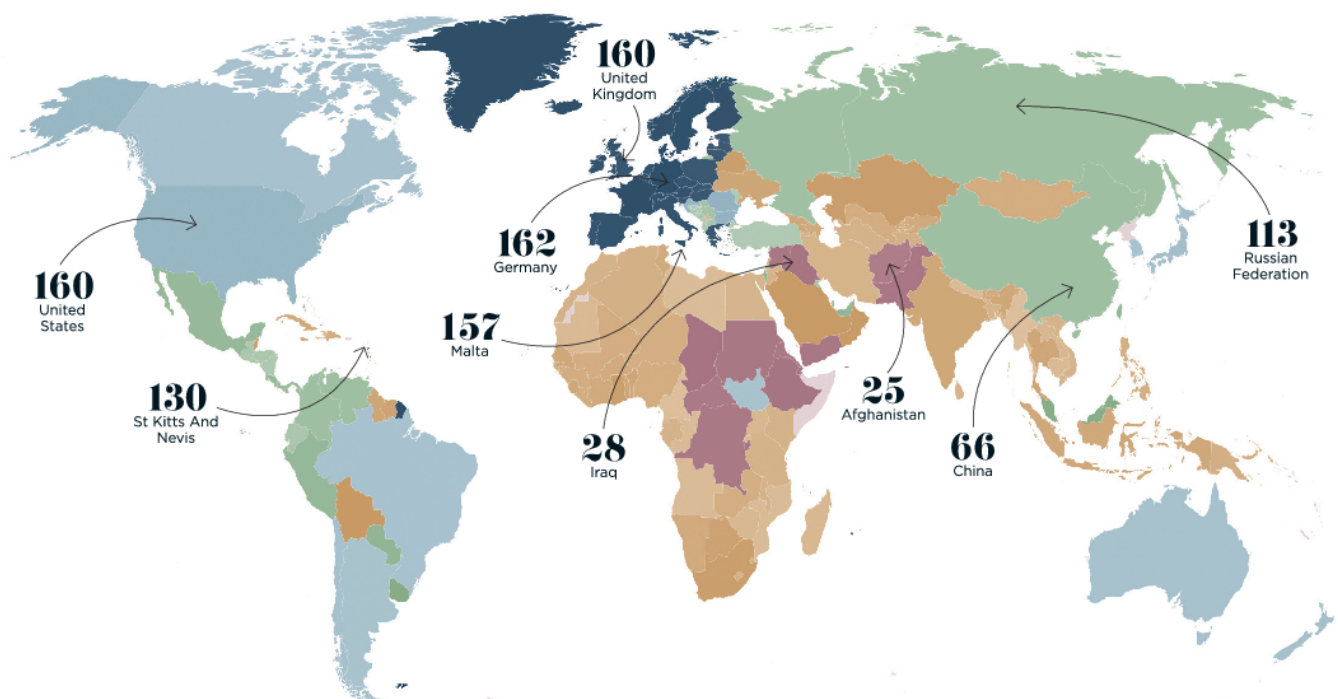
This crazy idea that Kälin had conceived of when writing letters to embassies to ask them how people obtained their citizenship, this idea that passports could be sold off the shelf like some kind of financial derivative, had now penetrated to the heart of the EU. This brought with it scrutiny of a whole different kind. European politicians objected to Malta's deal with Henley because European countries share a citizenship and yet Malta would be keeping all the money for itself. "Do we like the idea of selling the rights provided by the EU Treaties? My answer is: certainly not. Citizenship must not be up for sale," Viviane Reding, vice-president of the European Commission, told the EU's parliament in January 2014, during a heated debate. "It is saying that some people are born equal, but others are more equal than others and the rich will always dominate. It is a disgrace," thundered Sean Kelly, an Irish MEP. The vote went against Malta by 560 to 22. But citizenship is a function of sovereignty and Malta can decide for itself who

The idea that passports could be sold off the shelf like some kind of financial derivative had penetrated to the heart of the EU

How valuable is your passport?

Henley & Partners' Quality Of Nationality Index ranks the worth of 159 citizenships based on various economic and political factors. But how many countries does each passport allow you to access visa-free?

● Extremely high quality ● Very high quality ● High quality ● Medium quality ● Low quality



its citizens are. Its government made some cosmetic changes to appease Brussels, then got on with the business of making money.

The European debate raised an important question: if selling citizenship feels disloyal, should Kälén be doing it at all? If someone buys citizenship, then the relationship is entirely transactional. Can they be relied on to support their country if things go wrong or will they just head off on the nearest private jet? Also, what about fairness? If a rich Syrian, say, can buy a passport, he has access to the world. An ordinary Syrian, however, has to rely on people smugglers to reach a Greek island, where he is stuck. Isn't this entrenching the inequality that rots the world's social fabric?

Malta's programme has been politically divisive, with the Labour government's opponents – including journalist and blogger Daphne Caruana Galizia – attacking Kälén personally for introducing it. "Malta is not St Kitts And Nevis... You can behave like a colonial power, throwing your weight about against the press and legitimate criticism in St Kitts And Nevis, but you can't do it here," Caruana Galizia wrote to Kälén in May 2007, in one of the many testy email exchanges between them she published on her website.

Caruana Galizia died in a car bombing in October 2017 in an incident unconnected to Kälén, but other journalists have continued her campaign, despite Kälén's insistence that he is doing nothing wrong. "We're helping people to move around more. Yes, we help wealthy people, but at least we're helping them. And at least we make the world a little bit more transparent and movable," he told me. "The problem is actually the system we have, not what we do within the system."

In November, the Maltese government's regulator published a report revealing it had made €509m from selling citizenship. That is more than a €1,000 for every person on the island, even after Henley & Partners took its share of €19m. Regulators are normally restrained in their comments, but this one could not contain its enthusiasm: "This has been a year when the success of this programme has evinced no bounds." Its passion was easy to understand, since government fees were only a part of the money pouring into Malta. New citizens have to buy or rent property worth €350,000, to buy government bonds worth €150,000, and will spend money in restaurants and shops. The island's true earnings from Kälén's programme are counted in the billions. And Malta was not the end. Cyprus started selling passports in

2013, other countries are set to follow and Henley is one of many companies offering to broker the deals. Selling passports has ceased to be one man's radical dream and has become an established business, with the stresses that competition brings.

"When we started eleven years ago, we did the first conference on citizenship and people thought we were nuts," said Kälén with a wry smile. "There was no such event at all. We had to pay a conference organiser in advance because they thought it wouldn't fly. I was in Asia last year and there was an average of three-and-a-half events per week, just in Asia, on that topic. Per week – can you imagine? When I saw these figures I didn't believe it myself. I asked and they said it was really true, they gave me the list."

Conferences: making an extraordinary thing sound dull, worldwide. **GQ**

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