

INTERVIEW: DR CHRISTIAN H. KÄLIN - GROUP CHAIRMAN AND CEO OF HENLEY &amp; PARTNERS

# Consolidation will Drive Industry Forward

The investment migration industry is going through an exciting growth phase that is not without its challenges. One of the industry's biggest issues is that it is still largely unregulated, says *Dr Christian Kälin* of Henley & Partners.

As a major player in this industry, can you give us a brief overview of Henley & Partners and the extent of your operations around the world?

Henley & Partners is the global leader in residence and citizenship planning. Our global team consists of over 300 people, and we have a presence in 25 countries around the world. We advise private clients, but we also run a government advisory practice. We have been involved in strategic consulting and in the design, set-up and operation of some of the world's most successful residence and citizenship programmes.

What would you highlight as some of the key developments that have most affected the industry over the past three to five years?

I think there are a few contributing factors. On the one hand, there are a number of citizenship and residence programmes that have made headlines, both in a positive way and in a politically controversial way. In any case, the outcome has been an increase in awareness both on the private side and on the governmental side in terms of attracting global citizens through these programmes. Another factor has been growing political and economic uncertainty — including the trend towards rising populism and nationalism in various parts of the world — which has prompted many people to look for a 'plan B'. People are increasingly realising the attractiveness of a second passport. Many more countries are now offering residence and citizenship programmes, and the market is set to grow further in the coming years. We already know that more European countries are looking to join this industry.

How would you describe the current industry landscape?

It is very important to distinguish residence programmes from citizenship programmes. People who go for residence programmes are usually seeking to relocate or desire easy access to, for instance, the Schengen Area. People who go for citizenship programmes, on the other hand,



**BIO:** Dr Christian H. Kälin, TEP, IMCM, Chairman of Henley & Partners, is considered one of the world's foremost experts in investment migration and citizenship-by-investment, a field he pioneered. Holding master's and PhD degrees in law from the University of Zurich, he is a sought-after speaker and advises governments and international organisations. He is the author, co-author, or editor of many publications, including standard works such as the *Global Residence and Citizenship Handbook*, *Ius doni: The Acquisition of Citizenship by Investment*, the *Henley & Partners – Kochenov Quality of Nationality Index*, and the *Switzerland Business & Investment Handbook*.

usually do not take up residence in that particular country, at least not immediately. Traditional countries where wealthy people relocate to are the UK, Switzerland, Canada, Australia, the US, and more recently various European countries, such as Spain and Portugal. A typical client could be a South African who is not happy with current

“

Many of the new jurisdictions that are currently introducing programmes are positioning themselves as regional hubs. Take Jordan or Kazakhstan, for instance. Such countries could be interesting second-home destinations for people from those regions.

”

developments in the country and wants to eventually move elsewhere. Then there is another category of clients. They are currently happy in South Africa, for example, and want to stay there, but they don't know what is going to happen in the future. They are simply looking for a contingency plan: in other words, if things were to get worse in South Africa, they could move somewhere else. They also want greater mobility, since the South African passport does not offer visa-free access to many countries. Citizenship in a safe country, whose passport provides visa-free access to many countries, is an ideal solution.

Many of the new jurisdictions that are currently introducing programmes are positioning themselves as regional hubs. Take Jordan or Kazakhstan, for instance. Such countries could be interesting second-home destinations for people from those regions. We also have to do away with the perception that only people from emerging markets are interested in these opportunities. For instance, we have Japanese clients who look at Thailand, and we have German and French clients who look at Canada. We also have American clients who acquire second citizenship in order to travel more securely abroad in the wake of increased terrorist threats against American citizens, or Americans who spend considerable time in Europe, sometimes more than half a year, and require easy access for business. EU citizenship is almost a must for them in terms of operating freely, not requiring a work permit everywhere they operate, and, for their kids, studying in Europe without restrictions.

**What is the market value and composition of the global RCBI industry?**

Today, citizenship-by-investment has grown into a US\$ 3-billion-industry, while residence-by-investment — which is more difficult to quantify — probably exceeds tens of billions of dollars each year. There are close to 100 countries that have a citizenship or residence programme in place. There are about 60 active and 30 really relevant programmes in the world. By ‘relevant’, I mean that a sufficient number of people actively express interest and apply every year.

**Are you seeing new companies — like law firms — going into this field and specialising in this industry?**

Yes. Our research has shown that there are some 550 companies registered with various authorities across the world that are servicing this industry. But this number is only a fraction of the total market: if you factor in the companies that do marketing and promotional work for the industry, as well as third-party and other external agents, the number becomes much bigger. Firms from other sectors, such as professional and corporate services, as well as wealth management services, are increasingly entering the space. This diversity is extremely positive as it underlines the seriousness of the business and adds additional credibility to the sector.

Once a niche sector, investment migration is quickly moving into the mainstream and attracting the attention of the media, policy-makers and the public at large, who question the industry's legitimacy. Why has the industry so far failed in engaging with these actors and addressing the negative public perception of the sector?

For our part, Henley & Partners has always supported serious and objective journalism. Media engagement and public advocacy should be prioritised and taken seriously by everyone working in the industry. We recognise that investment migration is still relatively young and, in combination with continued global and technological growth, this makes for a lot of ambiguity: it is not always straightforward to separate fact from fiction, especially in the media and online. In such an environment, transparency is key, and it is in this spirit that we always reply openly and positively to the media requests we receive.

I think it's important to note, though, that a fair amount of the reporting on investment migration is politically motivated, especially in the Caribbean and Malta. On the other hand, many of the concerns being raised are the result of either a lack of information or misinformation. Some commentators for example, view these programmes as security risks. However, a quick look at the figures puts this concern into perspective. The EU grants about 800,000 citizenships per year. Out of these 800,000 citizenships, about 700 are granted by countries with citizenship-by-investment programmes, which is less than 0.1% of the total number of citizenships granted by the EU annually. On top of this, this 0.1% of the citizenship pool is carefully vetted through strict due diligence procedures, whereas for the other hundreds of thousands of new citizens there is little or no due diligence conducted. Where exactly, if anywhere, do we have a security risk?

In addition, in all the programmes that we have designed, we include the possibility of citizenship being withdrawn should any information surface that calls into question an individual's credentials and eligibility. We definitely need to make sure that programmes are not abused by criminals, but we also need to communicate that the reality is very different from what some of the industry's critics and ill-informed or deliberately politically motivated sceptics generally portray it to be.

**With more countries competing to offer RCBI programmes, do you worry that the industry is becoming commoditised and that the price to acquire citizenship is becoming too low?**

No. We think it is good for the industry that there are more players and more competition, since it encourages countries to continually innovate their programme structure and provide a better service to potential clients. We might not like the fact that prices are dipping as much as they are in the Caribbean, but ultimately it is not up to us to decide: it's a decision that each government has to make, and there are also some market



forces at play. Moreover, even as prices are being lowered, due diligence standards and screening mechanisms in the Caribbean are being stepped up each year rather than compromised. So it's important to view this matter in its full context.

The real risk, we feel, lies in unaccredited agencies commodifying citizenship as something that can be 'bought' rather than earned through substantial economic contribution to a particular country. Misleading messaging creates a distorted view of what investment migration is really about. Far from a one-sided transaction, it is an arrangement that serves governments and local populations as much as individual clients.

Countries have been talking about a public register where information on new citizens could be shared in order to achieve transparency and allow governments to know who is applying for citizenship. What are your thoughts on this?

I think it is a good idea in principle, but it will be difficult to implement in practice. Countries will need to strike a balance between the confidentiality with clients and public demands for transparency about citizenship processes. The industry would certainly benefit from more transparency; there is nothing wrong with citizenship programmes, so there is nothing to hide. Individuals and countries alike have a genuine need for these programmes.

CBI programmes in some countries are accounting for a big portion of their GDP. Is there a worry that countries are becoming very dependent on this one industry?

It is important that economies are not completely dependent on these programmes for their economic wellbeing. This is part of why we feel that Malta's Individual Investor Programme is such a good model for other countries to follow. The Maltese economy is not reliant on the programme, and, as such, the government can easily afford to reject applications. It is currently, besides Austria, probably the only country that does not really need a citizenship-by-investment programme and thus can afford to be very choosy.

It's worth mentioning, however, that investment migration programmes have historically also played a critical role in helping small countries diversify their economies and move away from an overdependence on volatile industries, such as the sugar cane industry in St. Kitts and Nevis. The challenge for these countries now is to continue their diversification and future-proofing efforts, while at the same time nurturing and growing their investment migration programmes, which provide a healthy source of capital inflows.

How do you see the landscape evolving in the next 5 to 10 years?

The industry is on a very good path. We will be seeing more countries coming into the space and developing programmes, and demand for these programmes is growing. The ongoing challenge



is the diversity of players in the advisory space: you have a full spectrum, from very good companies to less reputable firms. This situation exists in every industry, and I am confident that we will see greater consolidation in the coming years, with the larger and in particular the more reputable firms surviving over the long-term. One of the biggest challenges faced by the industry is the fact that it is still largely unregulated, so I am very pleased to see the industry demonstrating a strong degree of self-regulation through the Investment Migration Council (IMC).

In terms of sustainability, I hope we will see firms investing heavily in growing their advocacy, thought leadership and due diligence efforts, since maintaining credibility is crucial for the industry's ongoing success.

Finally, I think we're going to see investment migration becoming a simple fact of modern life, something accepted around the world as a necessity for both individuals and governments.

Is there any one piece of advice that you would like to share with the community?

We need to regulate ourselves and adhere to best practices. The IMC is showing the way. There is no doubt that the investment migration community, and in particular the leading firms in this business, need to work closer together to expand and strengthen the sector further. ♦

“

There is no doubt that the investment migration community, and in particular the leading firms in this business, need to work closer together to expand and strengthen the sector further.

”