

Foreign passports offer little protection for China's elite

Beijing's corruption crackdown drives rush for second citizenship

by: Ben Bland in Hong Kong

Like many wealthy Chinese businesspeople seeking an insurance policy against their capricious if often profitable political system, Xiao Jianhua acquired foreign citizenship.

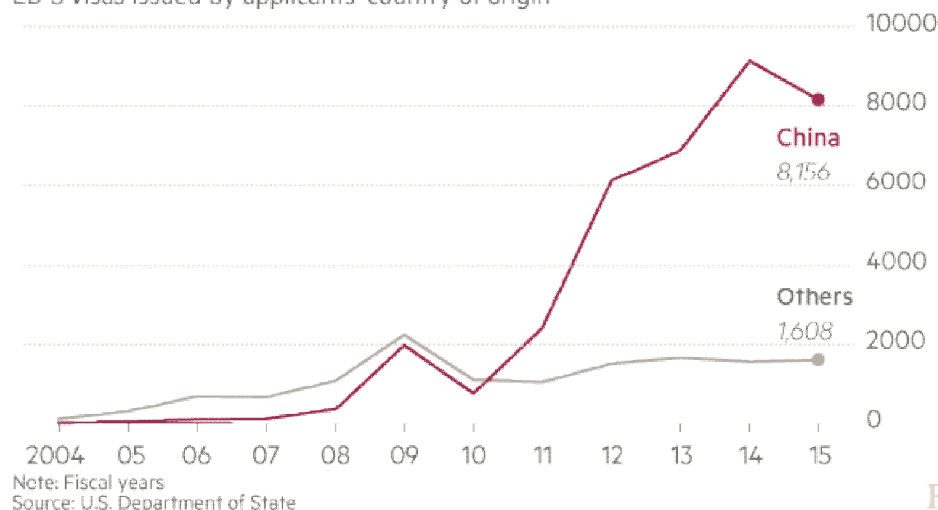
But if the billionaire investor thought that having Canadian citizenship and a diplomatic passport from Antigua and Barbuda would protect him from the powerful and ruthless Chinese security forces, he was sorely mistaken.

Mr Xiao's abduction from Hong Kong two weeks ago by Chinese agents has both highlighted the growing demand for foreign passports and the lack of protection they provide to those who fall foul of President Xi Jinping's crackdown on corruption and political rivals.

“It doesn't matter if you have changed your passport because if you were a Chinese [national], they regard you as still a Chinese national,” said Kenneth Leung, an opposition member of Hong Kong's legislative council. “When mainland interests are involved at a high level, and [there are] possible violations of the law in China, this could happen anywhere, not just in Hong Kong.”

One western diplomat described this “deliberate blurring of ethnicity and nationality” by the Chinese authorities as “deeply troubling”.

Chinese driving demand for immigrant investor visas in the US
EB-5 visas issued by applicants' country of origin



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In recent years, rich Chinese have rushed to acquire residency and citizenship in jurisdictions where they hope to be beyond the reach of Beijing's security services, while also potentially

benefiting from lower tax rates, new investment opportunities and access to better education and healthcare for their families.

“There are tens of thousands of Chinese obtaining foreign citizenship every year,” said Denny Ko, an immigration lawyer in Hong Kong who advises rich Chinese clients, adding that Mr Xi’s crackdown has spurred an increase in applications over the past four years.

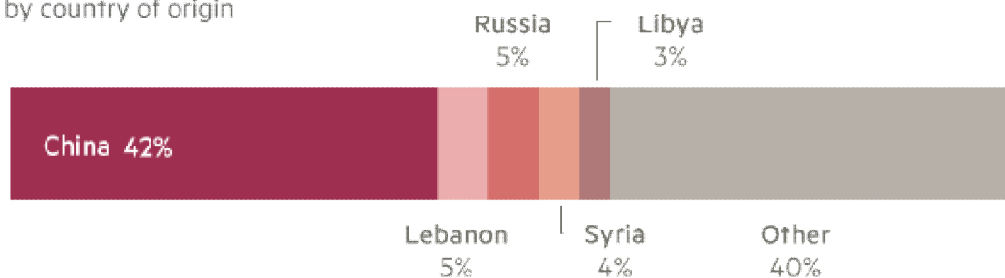
They can obtain residency in western nations such as Australia, the UK and the US by investing anywhere from a few hundred thousand to several million dollars. Some smaller nations such as Antigua, Cyprus and Grenada sell immediate access to citizenship for as little as \$250,000, in some cases without needing to visit the country.

For example, more than 330 Chinese have applied to become Antiguan nationals since the Caribbean country of 94,000 launched its citizenship-by-investment scheme in 2013, making up more than 40 per cent of total applicants. Applications for such programmes from Chinese people have surged in other nations too, according to a report by the International Monetary Fund.

Chinese people also dominate the EB-5 visa scheme in the US, which offers permanent residency to foreigners who invest at least \$500,000 and promise to create or preserve 10 full-time jobs. They accounted for more than 80 per cent of successful applicants in 2015, with more than 8,000 securing the EB-5 visa, up from only a few hundred in 2008.

Chinese dominate passport-for-sale schemes in the Caribbean

Applications for Antigua and Barbuda’s citizenship-by-investment programme by country of origin



Note: received under investment programme, inception to June 30, 2016
Source: Citizenship by Investment Unit, Antigua & Barbuda

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China does not allow its citizens to have dual nationality and if they take up foreign citizenship of their own free will, they automatically lose their Chinese citizenship.

But in practice many wealthy Chinese do not declare that they have taken citizenship elsewhere, in order to maintain access to the many investment opportunities in China that are excluded to foreigners.

At the same time, legal experts say that the Chinese authorities are happy to treat foreign citizens born in China as Chinese nationals if it suits their purposes. “In the past, they thought dual nationality was not a good thing because it could encourage hidden traitors who are loyal to another sovereign,” said Donald Clarke, a professor of Chinese law at the George Washington University.

“Now they are starting to think like monarchical governments of old: whether you are under our jurisdiction is for us to decide, not you.”

In a notice posted on the front page of a Hong Kong newspaper, which was purportedly from Mr Xiao but most probably from his family, he was quoted saying: "I am under the protection of the Canadian consulate and Hong Kong law" and that "I enjoy the rights of diplomatic protection".

He was appointed ambassador-at-large by the Antiguan prime minister Gaston Browne in 2015. Canada has confirmed that it is trying to "gather additional information and provide assistance" to its citizen. But other recent cases add to the belief that Mr Xiao's alternative passports will provide little succour to a man whose whereabouts and status in China remain unknown.

The two Hong Kong booksellers abducted by Chinese security agents from Hong Kong and Thailand in 2015 were European citizens but the Chinese government described British passport holder Lee Bo as "first and foremost a Chinese citizen". Meanwhile, Swedish national Gui Minhai, who remains in custody at an unknown location, told Chinese state media in what were most likely forced confessions that "I still think of myself as a Chinese".

Mr Ko, the immigration lawyer, said that while these incidents underlined the limitations of second passports, they will still encourage others to take preventive measures. "If the worst happens, they'd rather have a document that can be a lifesaver," he said. "You don't have to be a corrupt official yourself. Any reasonable businessman in China has links to some government officials and if they are brought down, you may be tainted and dragged into the case." Additional reporting by Gloria Cheung