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## Red Flags Among Golden Passports: An Analysis of Chinese Influence In Five Caribbean Citizenship By Investment Programs

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# RED FLAGS AMONG GOLDEN PASSPORTS

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AN ANALYSIS OF CHINESE INFLUENCE  
IN FIVE CARIBBEAN CITIZENSHIP BY  
INVESTMENT PROGRAMS

**AUTHOR**  
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## **MARCH 2023**

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## EXECUTIVE SUMMARY

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This paper explores the extent wealthy Chinese Citizenship by Investment (CBI) holders in the Caribbean use their economic clout to influence local politics. Five Caribbean countries have benefited immensely from CBI, a program that contributes as much as a third of some countries' gross domestic product (GDP). In recent years, a growing number of wealthy individuals from China have been applying for CBI in the Caribbean.

While most Chinese CBI holders do not intentionally exert political or economic influence on behalf of the Chinese Communist Party, certain individuals of Chinese descent with questionable financial backgrounds or facing fraud and corruption allegations wield undue influence at the highest levels of Caribbean governments. As wealthy Chinese individuals continue to move their money and citizenship to the Caribbean, their political clout may increase in the future, and the Chinese central government may be able to leverage this influential community to exert economic and political pressure in the Caribbean.

Recommendations for Caribbean governments:

1. Commit to full CBI transparency;
2. Build on the six CBI principles agreed upon on February 25<sup>th</sup> to standardize CBI background procedures and processing times;
3. Diversify the CBI applicant pool; and
4. Deepen knowledge of and collaboration with the Chinese diaspora within their countries.

Recommendations for the United States, Allied, and Partner Nations:

1. Publicly support the Caribbean CBI program;
2. Offer more incentives for U.S. and partner banks to process CBI fees; and
3. Strengthen interagency, allied, and partner collaboration on Caribbean CBI due diligence.

In short, Caribbean, U.S., and other partner nation policymakers could use these recommendations to successfully protect Caribbean CBI programs from undue foreign influence while leveraging CBI's economic benefits for regional development.

## INTRODUCTION

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Justin Sun, a young multimillionaire crypto tycoon charged with fraud and other securities law violations by the United States, previously served as Grenada's ambassador to the World Trade Organization (WTO).<sup>1</sup> Sun is now trying to attract other Chinese crypto entrepreneurs to acquire "digital citizenship" from Dominica.<sup>2</sup>

Chinese investor Charles Liu, allegedly facing investigations for securities fraud in the United States, reportedly holds a Grenadian diplomatic passport.<sup>2</sup>

Ying Jin, CEO of Caribbean Galaxy, a real estate developer based in St. Kitts and Nevis, joined that country's delegation to the 2022 United Nations General Assembly.<sup>3</sup> Her name has now surfaced in a scandal involving the former head of St. Kitts and Nevis' Citizenship by Investment Unit (CIU).<sup>4</sup>

Sun, Liu, and Jin exemplify the hundreds of wealthy individuals originating from China—some with questionable financial backgrounds or facing corruption and fraud allegations—who have participated in CBI programs in recent years.

Citizenship By Investment has become an enormous source of revenue for Antigua and Barbuda, Dominica, Grenada, St. Lucia, and St. Kitts and Nevis, contributing nearly 30 percent of GDP in St. Kitts and Nevis and Dominica,<sup>5</sup> according to a 2021 report by the International Monetary Fund.<sup>6</sup> For several Caribbean countries like St. Lucia, CBI boosts the country's development in a variety of sectors, including hospitality, goods and services, infrastructure, banking, broadcasting, and youth development projects.<sup>7</sup> These countries also use CBI revenue to pay off debts to international financial institutions. And CBI revenue provided key lifelines as those countries weathered COVID-19 from 2020-2023.

But there's also a dark side to CBI. Researchers, journalists, and government officials have documented how CBI could be used for corruption.<sup>8</sup> Little has been written on the increase of China-born CBI applicants in the Caribbean and their potential economic clout in the region. To what extent is money from wealthy Chinese individuals through the CBI

program influencing local Caribbean politics? This report examines the characteristics and implications of Chinese CBI holders in the Caribbean addressing the following questions:

- Who is the typical Chinese CBI applicant?
- Why do some wealthy Chinese individuals apply for Caribbean citizenship?
- What connections do these CBI holders have with the Chinese Communist Party and the local People's Republic of China (PRC) embassies?
- Do Chinese CBI holders use their economic clout for political influence in the Caribbean, and if so, how?

Conducting interviews with industry experts, Caribbean and U.S. government officials, and the Caribbean Investigative Journalism Network,<sup>9</sup> as well as compiling open-source research and news articles on the topic, this paper seeks to answer these questions from economic, political, and national security lenses. Due to the lack of access to consistent CBI data from Caribbean governments, data was sourced heavily from Investor Migration Insider (IMI), one of the most respected sources of investment migration consulting and information.

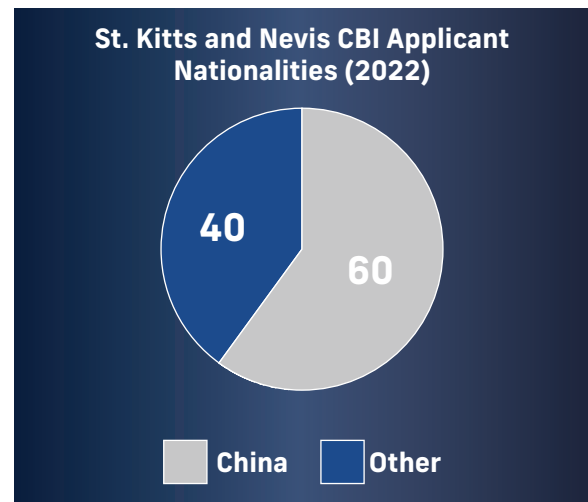
The final hypothesis is that the growing influence of wealthy overseas Chinese individuals in CBI programs undermines CBI countries' sovereignty, prosperity, and security. Caribbean, U.S., and partner-nation policymakers could use this information to protect their CBI programs from undue foreign influence, while leveraging CBI revenue to fuel the region's bright economic future.

## COMPARING CARIBBEAN CITIZENSHIP BY INVESTMENT PROGRAMS

### St. Kitts and Nevis

Citizenship by Investment in the Caribbean began in St. Kitts and Nevis. Just one year after the island nation won its independence in 1983, the St. Kitts and Nevis government sought to diversify its economy, which was long dominated by the sugar industry. St. Kitts and

Nevis pioneered establishing its CBI program in 1984, becoming the first country in modern times to have such a program. Since then, St. Kitts and Nevis has issued more than 10,000 passports, offering citizenship to applicants who invest US\$200,000 in real estate or donate US\$150,000 to its Sustainable Growth Fund or Public Good Project.<sup>10</sup> In 2015, CBI accounted for 30 percent of the St. Kitts and Nevis economy.<sup>11</sup> By 2021, CBI accounted for roughly 23 percent of the nation's GDP, demonstrating how lucrative the program is to participating countries. A St. Kitts-based diplomat who spoke under the condition of anonymity estimates that 60 percent of St. Kitts and Nevis' CBI applicants came from China in 2022.



*Credit: Investment Migration Insider Database*

Unfortunately, St. Kitts and Nevis doesn't provide public data on the national origin of CBI applicants. However, the country is considered the "platinum standard" for wealthy Chinese individuals, according to Vicky Ma, Manager of China Marketing at CS Global Partners.<sup>12</sup> Ma observed that a CBI applicant to St. Kitts and Nevis can expect to receive their passport within 45 to 60 days, extremely fast in comparison to its peers.<sup>13</sup>

At the end of 2022, St. Kitts and Nevis's CBI program was rocked by scandal. The new St. Kitts and Nevis government asked the CIU CEO Les Khan to resign after allegations that he mismanaged CBI funds for personal gain. One of the most explosive allegations is that Khan colluded with Ying Jin, CEO of Beijing-based real estate developer Caribbean Galaxy

Real Estate Ltd., awarding the contract to Jin in exchange for kickbacks to Khan and St. Kitts and Nevis Prime Minister Timothy Harris.<sup>14</sup> Earlier in the year, this same Ying Jin accompanied the country's delegation to the UN General Assembly, drawing suspicion about just how much clout Jin has in St. Kitts and Nevis' domestic and foreign policies.



*Ying Jin (fourth from the left) accompanied the St. Kitts and Nevis delegation to the 2022 UN General Assembly. Credit: Winn Media SKN*

In 2014, Jin's company Caribbean Galaxy launched a five-star Ramada Inn resort project, complete with 200 to 300 rooms. But the project has faced criticism for slow progress;<sup>15</sup> to this day, it only has a few buildings and a kitchen for construction workers, according to a St. Kitts and Nevis-based diplomat who agreed to speak on the condition of anonymity. Galaxy also allegedly offered investment shares and St. Kitts and Nevis citizenship to Chinese clients in its Ramada project at US\$80,000, a price much lower than St. Kitts and Nevis's legally mandated minimum real estate investment of US\$200,000.<sup>16</sup>

St. Kitts and Nevis is one of the least transparent countries in terms of releasing its CBI reports, according to Christian Nesheim, CEO of Investment Migration Insider, an investment migration consulting firm. The new St. Kitts and Nevis government under Prime Minister Terrence Drew has pledged to revamp its CBI program, putting in place more requirements for transparency and due diligence.<sup>17</sup>

## Dominica

Dominica began its CBI program in 1993. In the past four years, Dominica has topped the list as the country with the best CBI, offering citizenship to people who invest US\$200,000 in real estate or US\$100,000 in donations. When Hurricane Maria struck the island in 2017, Dominica used its CBI revenue to rebuild and support its citizens without raising taxes. At the end of January 2023, Dominica Prime Minister Roosevelt Skerrit announced that the country's CBI revenue was US\$450 million Eastern Caribbean dollars, or US\$166 million.<sup>18</sup> That amounts to roughly 30 percent of Dominica's GDP.<sup>19</sup>

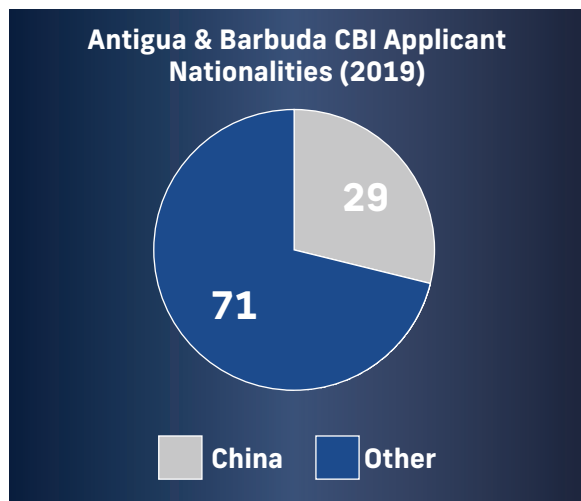
Unfortunately, Dominica doesn't provide public data on the national origin of CBI applicants. In November 2021, Dominica and China signed a visa-free waiver agreement, boosting further trade and investment. In an article about the visa-waiver announcement, CS Global Partners noted that "over the last few decades, Dominica's program has welcomed scores of Chinese investors who are interested in acquiring second citizenship as a means of protecting their wealth, family and future."<sup>21</sup> More recently, China-born crypto entrepreneur Justin Sun has signed a partnership with Dominica to grant "digital citizenship" to traders on his crypto exchange platform Huobi. This offer of digital citizenship is particularly attractive to Chinese crypto enthusiasts who are barred from trading on crypto platforms; the Chinese government banned all its citizens from cryptocurrency trading in 2019.<sup>22</sup>

## Antigua and Barbuda

Antigua and Barbuda started its CBI in 2013. The country allows applicants to apply with up to five family members, making it the most "family friendly" program among its peers.<sup>21</sup> Antigua and Barbuda offer citizenship for real estate investments of US\$400,000 or donations of US\$100,000 to its National Development Fund. It also offers a University of the West Indies (UWI) Fund, where applicants invest US\$150,000 for the expansion of UWI's fourth campus.

This option provides citizenship for a family of six or more and entitles one family member to a one-year tuition-free scholarship to study at UWI.<sup>22</sup> The country used to release

biannual reports about its CBI program on its official website, but it has not released data for 2021 or 2022. In 2017, CBI accounted for 20 percent of Antigua and Barbuda's GDP, according to CS Global Partners.<sup>23</sup>



*Credit: Investment Migration Insider Database*

Antigua and Barbuda's Prime Minister Gaston Browne has vigorously defended the CBI program. In 2021, he accused the United States of wanting to "kill" the CBI program following the release of a U.S. report questioning the transparency of Antigua and Barbuda, Dominica, and St. Kitts and Nevis's CBI programs.<sup>24</sup>

Conversely, Browne has vigorously supported efforts by Chinese investor Zhang Yida to build a free trade zone and manufacturing hub in Antigua. Zhang, who has gained Antiguan citizenship, began the 1,500-acre project in 2014 and has invested US\$200 million to build the roads and infrastructure around the area. But over the past nine years, local activists and environmentalists have criticized the Yida project for destroying coastal vegetation, harming the habitats of endangered animals, and making the island more vulnerable to hurricane damage.<sup>25</sup> In addition, local real estate firm Luxury Locations has sued Zhang for failing to pay US\$3 million based on a 2013 contract.<sup>26</sup> Despite these setbacks, Browne insists that Zhang "has been one of the most committed investors in (Antigua and Barbuda)," and said all Antiguan "should wish him well."

## Grenada

Grenada began its CBI program in 2014. Since then, more than 7,000 people have received citizenship through the initiative.<sup>28</sup> CBI applicants can invest in a series of CBI-approved real estate projects or contribute to the country's National Transformation Fund. Grenada is the only Caribbean country with a bilateral treaty with the United States for an E-2 investor visa, which means investors and their families can live and work in the United States if they invest in an active business operating in the United States.<sup>29</sup>

Between July and December 2022, Grenada approved 714 people and rejected just one. Most CBI applicants came from China, Russia, India, South Africa, and Nigeria.<sup>30</sup> Grenada does not publicly release data showing how many people from which countries applied for CBI; however, in 2017, the Chairwoman of Grenada's CBI, Kaisha Ince, claimed during a documentary interview about Caribbean CBI programs that 98 percent of Grenada's applicants came from China.<sup>31</sup>



*Credit: Investment Migration Insider Interview with Grenada CBI Chairwoman Kaisha Ince*

One such Chinese CBI holder is Justin Sun. Originally from Xining, China, Sun founded the decentralized autonomous organization TRON and has become one of the most successful crypto investors.<sup>34</sup> In addition to TRON, Sun also owns three other crypto businesses: the BitTorrent Foundation, Rainberry Inc, and, most recently, Huobi. But Sun has faced legal trouble along his meteoric rise. He allegedly left China right before



the government banned cryptocurrency trading in 2019. (Sun's crypto coin called TRX went public just a few days before the ban).

On March 22, 2023, the U.S. Securities and Exchange Commission charged Sun with the "unregistered offer and sale of crypto asset securities Tronix (TRX) and BitTorrent (BTT)."<sup>33</sup> Sun and his companies also engaged in "wash trading," which involves the simultaneous or near-simultaneous purchase and sale of a security to make it appear actively traded without an actual change in beneficial ownership.<sup>34</sup> Sun even orchestrated "bounty program" to pay U.S. celebrities like Lindsay Lohan, Ne-Yo and Akon to tout TRX and BTT without disclosing their compensation.<sup>35</sup>

The SEC's charges against Sun were a culmination of his illegal dealings in the crypto industry for years. Several of Sun's former employees alerted journalists about Sun's shady business practices, and that he was being investigated by the SEC, the U.S. Federal Bureau of Investigation, and the U.S. Attorney's Office for the Southern District of New York. According to a journalist who gained access to a subpoena against Sun, the allegations include: "wire fraud, conspiracy or intent to commit wire fraud, swindling, money laundering, spending the spoils of a criminal enterprise, failure to register a security and lying about it, aiding and abetting a crime, and conspiracy to defraud the United States."<sup>36</sup>

Despite this long string of illegal behavior, Sun won favor with the Grenadian government, serving as the ambassador to the WTO from December 2021 until June 2022, and spearheading blockchain and cryptocurrency adoption throughout the Caribbean. In October 2022 Sun persuaded Dominica to designate TRON as its official national blockchain infrastructure and launch the Dominica coin. As mentioned earlier, Sun signed a partnership with Dominica to grant "digital citizenship" to traders on his crypto exchange platform Huobi, attracting Chinese crypto entrepreneurs barred from trading on crypto platforms by the Chinese government. Sun, who also holds citizenship from St. Kitts and Nevis, Malta, and Guinea-Bissau, has previously stated that "the Caribbean strategy is definitely one of the most important priorities for Huobi," and that he "advocate(s) this kind of freedom of nationality concept."<sup>39</sup>



*Justin Sun with then-Grenada Prime Minister Keith Mitchell. Credit: World Trade Organization*

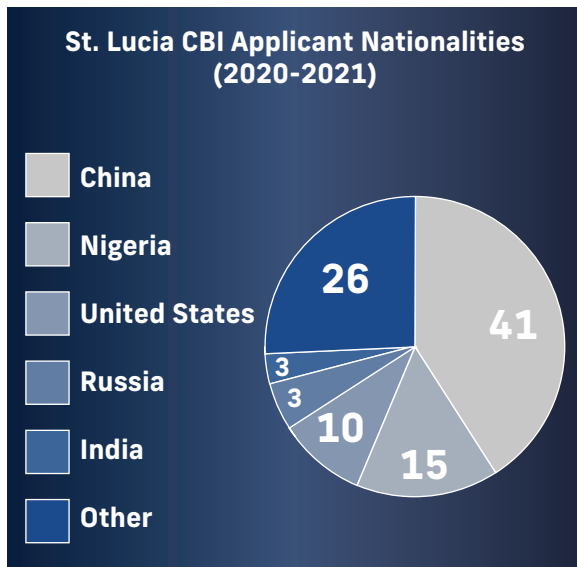
Another interesting character in Grenada's CBI saga is Charles Liu. After receiving Grenadian citizenship and being appointed a Grenadian ambassador and commercial attaché in 2014, Liu committed to investing in a multi-million-dollar Mount Hartman resort project. Liu and his wife, Xin Wang, also received the U.S. EB-5 immigrant investor visa, raising US\$27 million for a proton-therapy cancer treatment center from 50 investors in China and promising to create more than 4,500 jobs.<sup>38</sup>

But in 2016, the SEC accused Liu and his wife of misusing two-thirds of the money they raised, transferring US\$11 million of investor funds to three firms in China and diverting another US\$7 million to his and his wife's personal accounts.<sup>39</sup> Despite these charges, Liu still holds a Grenadian diplomatic passport.<sup>40</sup>

## **St. Lucia**

St. Lucia began its CBI program in 2016 and has already developed an attractive program for wealthy investors. The St. Lucian government's CBI investment options include: US\$100,000 to the National Economic Fund; US\$200,000 in approved real estate projects, such as hotels, resorts, boutiques, and holiday homes; US\$300,000 in non-interest-bearing special discount government bonds; US\$500,000 in government-issued treasury bonds; and US\$3,500,000 in joint enterprise business projects such as universities, ports, research, oil, processing plants, highways, and agriculture.<sup>41</sup>

One of St. Lucia's first CBI investment projects was the US\$2.6 billion "Pearl of the Caribbean," a 700-acre site on the south of the island that includes a casino, horse racetrack, resort, and housing. A key investor is China Horse Club, a group of wealthy business people who seek to expand horse racing in China and around the globe.<sup>42</sup> St. Lucia is attempting to market itself to the 400 million middle-class Chinese citizens who are considering moving some of their wealth overseas due to growing concerns with China's slowing economy, uncertainty regarding the country's coronavirus policies, and geopolitical tensions.<sup>43</sup> St. Lucia is one of the most transparent Caribbean CBI countries, according to IMI. In fiscal year 2021, 125 Saint Lucian CBI applicants were from China, representing 41 percent of that year's 313-applicant pool.



Credit: Investor Migration Insider Database

Because of the lack of data from some Caribbean countries, it is difficult to compare each country's CBI program. But the data suggest just how much of an economic lifeline CBI is to these Caribbean countries, and the growing share of Chinese CBI applicants. As China's influence continues to grow and its citizens' interests expand globally, this trend will likely increase in the following years and decades.

## HOW THE PRC GOVERNMENT VIEWS OVERSEAS CHINESE

Since its founding in 1949, the Chinese government has sought to persuade overseas Chinese to help achieve its foreign policy goals.<sup>44</sup> It actively courts overseas Chinese through the United Front Work Department (UFWD), reconnecting them with the mainland through funded travel to China and local Confucius Institutes, which promote and teach the Chinese language and culture worldwide. It also supports businesses financed by overseas ethnic Chinese and offers research grants and educational opportunities to members of its diaspora. In return, Chinese diaspora advance Beijing's interest by expanding economic activities, increasing political influence through people-to-people exchanges, financing political campaigns, and promoting China's image.

In Southeast Asia, for instance, China has courted overseas Chinese as a means of generating inward economic investment and exerting outward political influence.<sup>45</sup> In 2019, Australia stripped billionaire developer Huang Xiangmo of his permanent residency after allegations that he provided more than US\$2 million to Australian political parties on behalf of the UFWD.<sup>46</sup> In the United States, individuals who allegedly worked with Chinese intelligence agencies were convicted of passing along classified U.S. information to Chinese authorities,<sup>47</sup> and developing extensive networks to influence Californian politicians.<sup>48</sup>

PRC law enforcement agencies have set up more than 100 outlets in 53 countries around the world to conduct police operations without the appropriate legal jurisdiction or diplomatic approval, according to two reports conducted by Safeguard Defenders.<sup>49</sup> Moreover, China's 2020 National Security Law gives the Chinese government broad powers to prosecute fugitives for ambiguously defined crimes such as separatism, subversion, terrorism and collusion with foreign countries.<sup>50</sup> Through its multiyear operations Fox Hunt and Sky Net, PRC authorities have claimed success in bringing home over 11,000 fugitives in 120 countries.

These examples demonstrate Beijing's intent to extend its long arm to exert local influence on the Chinese diaspora. That trend may present itself in the Caribbean. For example, Grenada is one Caribbean CBI country with an extradition agreement with China. With its increasing economic clout through the Caribbean CBI program, China could leverage its extradition agreement with Grenada to extradite alleged Chinese fugitives there.



Map of Latin American and Caribbean countries with extradition agreements with China. Some of these agreements have been signed by the local government's executive branch but not yet ratified by their respective legislatures. Grenada is the only CBI country with such an agreement in the Caribbean. Credit: Safeguard Defenders

## THE GLOBAL SEARCH FOR "GOLDEN PASSPORTS"

The growing interest from wealthy Chinese individuals looking for citizenship elsewhere is not unique to the Caribbean; it is a global phenomenon. According to CS Global Partners' Vicky Ma, there are over two million Chinese high-net-worth individuals.<sup>51</sup> The most important reason they want these passports is for access to visa-free travel. "Many of these people are businessmen with clients around the world," said IMI's Nesheim. "Let's say you are a wealthy Chinese businessman, and you have a client who wants to meet you in London or New York the

next day, but it takes you weeks to get a travel visa to those countries, that's very inconvenient. So, visa-free travel is very attractive."

Another factor is China's short- to mid-term economic prospects look bleak for some of its wealthy citizens. The combination of high inflation, an ailing real estate market, a self-inflicted decrease in economic activity due to zero-Covid policies, and 20 percent youth unemployment suggest that China will face significant economic headwinds in 2023 and beyond.<sup>52</sup> Wealthy Chinese individuals are trying to hedge their bets, seeking to settle down in countries with a more positive economic outlook, at least in the short term.

Finally, current global tensions between the United States and China have put wealthy Chinese individuals on edge. Specifically, the increasing U.S. restrictions of Chinese companies have led some Chinese companies to move their operations out of China or create separate overseas entities.<sup>53</sup>

Investment migration consultants and immigration law firms expect these trends to continue, even after the Chinese government's abrupt end to zero-Covid policies. More than 10,800 wealthy Chinese people migrated out of China in 2022, the most since 2019, according to a recent Bloomberg report.<sup>54</sup> Some companies saw a fourfold increase in inquiries from Chinese individuals about migration the week after zero-Covid lockdown eased; searches and keyword mentions of "emigration" on WeChat quintupled that week.<sup>55</sup>

For these reasons, more and more wealthy Chinese are looking for a plan B, securing "golden passports" in countries where they could make significant real estate or fund investments, such as Portugal, Spain, Malta, Ireland, and Greece; investor visas from Canada, the UK, and Australia; or Citizenship by Investment Programs in the Caribbean.

## THE PROFILE OF CHINESE CBI HOLDERS IN THE CARIBBEAN

For a typical profile of Chinese CBI applicants, IMI's Nesheim<sup>56</sup> and an anonymous official at a Caribbean CBI unit both said that most Chinese CBI holders are business owners and entrepreneurs from various sectors, although the CBI official noted that many work in the shipping industry. They tend to be older males who have built wealth over time. They want to ensure their nuclear and extended families live with them for cultural reasons. Many choose a specific Caribbean country for their investment projects—mostly in real estate and resorts—and their family packages (St. Lucia offers discounted CBI packages for large families, for example). Due to China's strict capital controls, it is difficult for Chinese CBI applicants to get their money out of the country to pay for citizenship. "Almost universally, CBI advisors don't want to advise Chinese clients (or those of other countries with similar foreign exchange controls)," said Nesheim.

Chinese clients usually find ways around this restriction. The most common way is for the client to pool their resources with multiple relatives, so each one reaches the foreign capital limit. Another way is for the applicant to buy gold in China and sell it to exporters overseas, who then give the applicant cash to pay the CBI fees. Nesheim added that this gold method is "what works best right now." Applicants also get money from China via currency swaps, crypto payments, or traveling abroad with point-of-sale (POS) machines.

Some Chinese CBI applicants are part of the 92-million-member Chinese Communist Party, but rarely are they senior government officials, according to Nesheim. Most CBI programs have a policy against accepting politically exposed persons like high-level CCP government officials. Nesheim also believes the PRC embassies in CBI countries are not involved in helping Chinese CBI applicants since the government doesn't officially recognize dual citizenship.

Nesheim estimates that about 15 percent of Chinese CBI holders reside in a Caribbean country. But more are deciding to live abroad as China's domestic economic slowdown continues. Only a select few Chinese CBI holders

in the real estate sector use their economic clout to "influence politicians to get their pie-in-the-sky development projects approved as CBI projects," Nesheim added. "But I wouldn't say they have an influential community in the Caribbean ... more like certain individuals."

## THE DARK SIDE OF GOLDEN PASSPORTS

In recent years, several revelations have involved wealthy Chinese CBI applicants and holders engaged in questionable financial dealings in the Caribbean. In 2017, Ren Biao fled China using his economic citizenship status in St. Kitts and Nevis after defrauding the Chinese government of nearly US\$100 million. He voluntarily returned to China in 2017, potentially due to PRC law enforcement efforts to "persuade" Ren to return by threatening his family in China.<sup>57</sup>

**REN BIAO (任标): ONE OF CHINA'S 'MOST WANTED'**



Ren Biao (任标) was named as one of the original Top 100 most wanted in 2015. He fled China in 2014 after allegedly abusing his corporate positions to embezzle more than 100 million USD. He became a citizen of Saint Kitts and Nevis in 2013 under the nation's Citizenship by investment Program.<sup>56</sup>

Saint Kitts and Nevis does not have an extradition treaty or mutual legal assistance agreement with China and Beijing was critical of the Caribbean nation for not acting on the INTERPOL Red Notice. It is worth noting also that Saint Kitts and Nevis remains one of the few countries in the world to maintain diplomatic relations with Taiwan and not China.

In July 2017, he returned to China. The CCDI said the news was "a warning for fugitives and proves there is no safe haven overseas."<sup>57</sup> His lawyer stated that, "[Ren Biao] has made this decision on his own, he wants to go back to face his accusers,"<sup>58</sup> however facts at the time also point to Ren being coerced into returning.

Shortly before his "voluntary" return in 2017, according to some reports, Ren claimed that his 70-year old father had been arbitrarily detained in China. The police may have been trying to intimidate Ren and drive him out of hiding, a case of "persuaded return."<sup>59</sup>

Ren's lawyer said that his client agreed to return to China but only on his Saint Kitts and Nevis passport and the protections he thought it afforded.

Credit: CGTN

*Background of Ren Biao Case. Credit: Safeguard Defenders<sup>58</sup>*

A 2014 investigative report by the International Consortium of Investigative Journalists revealed that over 22,000 people from Hong Kong and mainland China set up offshore bank accounts and shell corporations in the Caribbean to move money out of China.<sup>60</sup> More than a dozen were family members of China's top political and military leaders—including Chinese Chairman Xi Jinping's brother-in-law and former premier Wen Jiabao's son and son-in-law.



Citizenship By Investment is another area where China could potentially exert economic pressure in the Caribbean to achieve political objectives. One such objective is the further isolation of Taiwan. St. Lucia and St. Kitts and Nevis are two of 14 countries in the world that still maintain diplomatic relations with Taiwan. Since most Caribbean CBI holders don't live in the Caribbean, most do not vote, according to a St. Kitts and Nevis CBI official who spoke on the condition of anonymity. But many of the Caribbean constitutions give all citizens the right to vote—even CBI holders. These economic citizens could one day use their economic clout to pressure local politicians to switch diplomatic recognition from Taipei to Beijing, wielding considerable future political influence.

Since CBI accounts for a substantial portion of some Caribbean countries' GDPs, the Chinese government could potentially take measures to limit CBI to those countries. In recent years, China has employed economic coercion to punish more than a dozen countries worldwide for making decisions counter to Beijing's interests.<sup>60</sup> For example, China sanctioned Lithuania after it opened a Taiwan Representative Office in 2021;<sup>61</sup> reduced imports of Australian barley, wine, coal, lobster, and timber after Australia demanded an investigation into the origins of COVID-19;<sup>62</sup> reduced tourism to Palau, an island nation that still recognizes Taiwan;<sup>63</sup> restricted rare earth exports to Japan after that country detained a Chinese fishing-trawler captain operating in the disputed Diaoyutai/Senkaku islands;<sup>64</sup> and banned salmon imports from Norway after that country awarded the Nobel Peace Prize in 2010 to Chinese human rights activist Liu Xiaobo.<sup>65</sup>

Given this track record of Chinese economic coercion elsewhere in the world, it is not outside the realm of possibility for China to exert similar pressure on Caribbean CBI countries. For example, if a country were to vote in support of improved human rights in China at the UN, OAS, and other international fora or to increase pressure on St. Lucia and St. Kitts and Nevis to switch diplomatic recognition from Taiwan to Beijing, China could take several measures to restrict Chinese CBI. The government could close down domestic CBI brokers operating in China, strictly enforce the rule barring dual citizenship to discourage

potential CBI applicants, and work with local United Front representatives to mobilize the local Chinese populations in those countries to lobby the local governments.

Some allegations of corruption or bribery on the part of Chinese CBI applicants could also be cultural misunderstandings. In December 2022, Grenada CBI holder Xu Bo, CEO of a real estate development company in charge of a CBI-approved project in Grenada, gifted the head of Grenada's CBI program US\$3,700, an expensive bottle of alcohol, and an "item in a box."<sup>66</sup> While there are certainly concerns that such gifts amount to bribery, it may also be an expression of a common Chinese cultural practice to give business partners special new year gifts called "red envelopes," according to IMI's Nesheim. But the examples of Chinese CBI holders engaged in questionable financial transactions or exerting undue influence in local politics demonstrate the real risks increased Chinese influence in CBI could have in the Caribbean.

## HOW STRONG IS CBI DUE DILIGENCE?

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"There's this common misperception that CBI is somehow an easy backdoor for bad people to acquire visas," said IMI's Nesheim. "But the irony is that, out of all the routes of citizenship, this is probably the most secure."

This statement reflects the ongoing debate about the strength of the Caribbean CBI's due diligence process. On the one hand, the process is already quite transparent and robust. Six separate entities review a given CBI application: authorized agents, the country's CBI unit, an expert international due diligence firm, crime prevention and detection agencies, partner governments, and a correspondent bank in the United States or European Union (EU) that receives money from the applicant.<sup>67</sup> The whole process typically takes three months. During that time, the applicant will provide personal information and, in some cases, fingerprints, iris scans, and proof of residence in every country where the applicant has lived for more than six months. Third-party due diligence firms include S-RM, Thomson Reuters, Refinitiv, Exiger, and Fact.

The applicant's information then passes through law enforcement and intelligence agencies via the Joint Regional Communications Centre (JRCC) of the Caribbean Community's (CARICOM's) Implementation Agency for Crime and Security (IMPACS). The JRCC cross-references the applicant's information with international watch list databases, Interpol, and partner governments, including the United States Customs and Border Patrol, Canada, the EU, and the UK.

However, one loophole exists in the JRCC system, according to a diplomat familiar with the process. If a U.S. or partner agency runs the background check and it comes up inconclusive, the Caribbean authority could still approve it. Given the economic importance of CBI, those Caribbean authorities have an incentive to approve as many applications as possible.

## RECOMMENDATIONS FOR CARIBBEAN POLICYMAKERS

The following recommendations for Caribbean governments address concerns about undue influence in the Caribbean CBI program:

- 1. Commit to full CBI transparency.** The lack of consistent data among Caribbean CBI countries, at best, risks mismanagement and, at worst, invites corruption within the various CBI Units. Dominica, Grenada, and St. Lucia should follow Antigua and Barbuda and St. Kitts and Nevis by passing Freedom of Information Act legislation to release accurate and timely CBI reports publicly. "A major issue is that the authorities are not obligated to disclose this information and do not," wrote an editor of the *Caribbean Investigative Journalism Network*.<sup>68</sup> Therefore, government officials, journalists, and regional organizations should encourage Caribbean CBI countries to release annual CBI reports that clearly show how much revenue the country has gained from CBI that year and the nationalities that applied for CBI.
- 2. Standardize CBI background procedures and processing times.** Caribbean CBI authorities should meet quarterly or annually with regional and international law enforcement agencies to ensure they adhere to the best and most up-to-date due diligence methods

and standards. During a meeting with U.S. representatives on February 25th, 2023, the five Caribbean CBI prime ministers agreed that their countries will:

- Not process applications from any CBI applicants whose applications were denied in another CBI country;
- Conduct interviews with all applicants, whether virtual or in person;
- Run checks on each application with its domestic Financial Intelligence Unit;
- Audit the CBI program annually or every two years in accordance with internationally accepted standards;
- Request law enforcement assistance to retrieve revoked/recalled passports;
- Suspend processing Russian and Belarusian applications as punishment for the war in Ukraine.<sup>69</sup>

These six principles are great starts. Additionally, Caribbean CBI countries should ensure their processing procedures meet international standards. CBI countries worldwide boast about the speed with which an applicant can get their second citizenship. But the process should take as long as needed for the government and third-party entities involved to get all the information, they need to make the right choice about a CBI applicant.

- 3. Diversify the CBI applicant pool.** Over-relying on CBI applicants from China may cause Caribbean countries to put all their eggs in one basket. But external factors could force a drop in Chinese demand. As mentioned earlier, China could unilaterally attempt to restrict CBI to exert economic coercion in service of its political goals. World leaders are also paying close attention to the Taiwan Straits, working diligently to avoid a conflict between mainland China and Taiwan that could easily spark a larger global conflict. If China decides to invade Taiwan like Russia invaded Ukraine in 2022, the United States and other Western countries could pressure allies and partners—including Caribbean countries—to impose sanctions on China and stop accepting its citizens. Caribbean countries should start diversifying their CBI applicant pools now so their CBI programs won't suffer huge shocks if they impose restrictions on Chinese CBI applicants.

- 4. Deepen knowledge of and collaboration with the Chinese diaspora within their countries.** CARICOM IMPACS should recruit members of the Chinese diaspora who speak Mandarin, Cantonese, Fujianese or other dialects in various CBI countries to better understand emerging trends in Chinese CBI and any potential illicit activity associated with it. Local Caribbean authorities should also be on the lookout for United Front representatives in their respective countries to ascertain any attempts by the Chinese government to influence Chinese CBI holders to implement its political agenda.

#### **For the United States and its Allies and Partners**

- 1. Publicly support the Caribbean CBI program.** This report shows that CBI is a crucial part of these countries' economies. If Caribbean leaders continue to perceive that the United States and other Western countries are trying to "kill" the CBI program, they will continue to criticize U.S. policy, distance themselves as partners, and even further open their CBI programs to Chinese citizens. A smarter strategy is for U.S. ambassadors in the region and visiting U.S. leaders from Washington to publicly express support for the program. They could make direct comparisons to the EB-5 visa program and offer advice on how to strengthen its due diligence process. The UK, Canada, and EU could also share their best practices for investor visa programs.
- 2. Offer more incentives for U.S. partner banks to process CBI fees.** Several Caribbean countries are experiencing weeks-long backlogs in CBI processing because payments must be routed through a few correspondent banks in the United States, the UK, or Canada. Due to de-risking regulations and high costs to serve relatively small populations, many Western banks don't offer financial services in the Caribbean. In recent months, Saint Lucia blamed this banking issue for its record backlog.<sup>70</sup> Barbados Prime Minister Mia Mottley said these regulations turned Caribbean countries into "financial pariahs."<sup>71</sup> If Western governments provide incentives for their countries' banks to operate in the Caribbean, it will generate

enormous goodwill across the region and open the door for further collaboration to strengthen CBI.

- 3. Strengthen interagency, allied, and partner collaboration on Caribbean CBI due diligence.** While CARICOM IMPACS should remain the lead in CBI due diligence, U.S., allied and partner law enforcement and security agencies also play key supporting roles. U.S. Southern Command (SOUTHCOM) is uniquely positioned to help coordinate; it already maintains a robust partnership with CARICOM IMPACS, houses representatives from 15 U.S. agencies, and has allied liaison officers from the UK, Canada, France, and the Netherlands, among others. The UK has already begun to increase scrutiny of the Caribbean CBI programs from its end; the time is ripe for such increased collaboration.<sup>72</sup> SOUTHCOM's Counter Threat Finance Unit in its J2 Intelligence Branch should also work more closely with CARICOM IMPACS to ensure the money flowing into CBI coffers is coming from legitimate, clean origins.

## **CONCLUSION**

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As this report demonstrates, Citizenship by Investment has been a critical engine of growth for the five Caribbean countries, allowing them to invest in infrastructure, tourism, job creation, and youth development. Through CBI, wealthy Chinese individuals are playing an increasingly important role in the region's economic growth. Based on the assessments of the CBI unit representative and investment migration consultants, most Chinese CBI applicants are acting independently from the People's Republic of China. Their motivations are largely driven by free-visa travel, lower taxes, and attractive investment opportunities. Intentionally or unintentionally, Chinese CBI applicants are helping finance a brighter future for their Caribbean countrymen and women.

It is no surprise, then, that several Caribbean leaders continue to fiercely defend their CBI programs against what they perceive as unfair criticism from the United States and other Western countries. In 2018, then St. Lucian Prime Minister Allen Chastanet said:

“Some of the leading countries in the world have reached the pinnacle of their development on the backs of CBI—Canada, the United States of America, and even England. So, it’s very difficult for them to now criticize us coming in.”<sup>73</sup>

But Chastanet also observed that “it comes down to due diligence that really separates one country from another.” As we have documented in this report, CBI is particularly vulnerable to undue influence by wealthy applicants, an increasing majority coming from China. But regardless of CBI applicants’ national origin or potential ties to their original home governments, Caribbean policymakers have a solemn obligation to their citizenry to prove that their programs continue to serve the best interest of their citizens and not the interest of a foreign few. They have the power to protect their CBI programs from corruption and undue outside influence if they commit to 100 percent transparency of CBI data and stricter due diligence in the CBI background check process.

If researchers, journalists, and civil society groups had more access to the various Caribbean CBI databases, they could help these governments ensure robust CBI programs that provide much-needed revenue for economic growth while protecting the country’s sacred sovereignty.

Ultimately, Caribbean citizens and leaders should ask themselves two questions: (1) Are our leaders making Faustian deals in the pursuit of economic growth? and (2) Are we inadvertently selling our region to the highest bidders to earn that brighter Caribbean future?



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## ABOUT THE AUTHOR

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### **LELAND LAZARUS**

Leland Lazarus is the associate director of research at Florida International University's Jack D. Gordon Institute of Public Policy and a nonresident fellow at the Atlantic Council's Global China Hub. At Florida International University, he is the technical expert on China-Latin America relations and manages a team of researchers and interns that collect data and analysis on US national security and governance in Latin America and the Caribbean.

From 2021 to 2022, Lazarus served as the special assistant and speechwriter to the commander of US Southern Command (SOUTHCOM). He advised the commander on a broad spectrum of subjects, issues, and policy considerations related to China in Latin America and the Caribbean; helped develop SOUTHCOM's counter-China strategic messaging; and provided focused support and operational and strategic research to the commander.

From 2016 to 2021, Lazarus was a US State Department foreign service officer, serving as deputy public affairs officer at US Embassy Barbados and the Eastern Caribbean; consular officer at the US Consulate General in Shenyang, China; and Pickering fellow at US Embassy Beijing and the China Desk in Washington, DC.

Before joining the US government, Lazarus worked as an associate producer at China Central Television and taught English as a Fulbright scholar in Panama. He leads the Diversity and Inclusion initiatives as a board member of the Fulbright Association and founded the Chinese Language Group under the National Association

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Throughout his career, Lazarus has received recognitions, such as being selected for the 2022 Center for a New American Security Shawn Brimley Next Generation National Security Leaders Program and the 2022 American Mandarin Society African American China Leadership Fellows Program. He also received awards such as the Joint Civilian Service Commendation Award from the US Department of Defense and the Distinguished Honor Award from the State Department.

Fluent in both Mandarin and Spanish, He holds an MA in US-China foreign policy from the Tufts University Fletcher School of Law and Diplomacy, and a BA in international relations from Brown University.

