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Article

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Due Diligence - Second Citizenships

By L Burke Files, CDDP, President, Financial Examinations & Evaluations, Inc (01/06/2013)

Second Citizenships can offer the possessor new opportunities. With multiple citizenships one can; do global tax planning, increase their mobility as a current citizenship may offer poor access to visa free travel visit countries their current passport prohibits, engage in certain business transactions restricted to only residents of specific or certain countries (a restriction common to EU opportunities that involve infrastructure), enable a lower profile in travel in regions such as the Middle East using a passport from St Kitts and Nevis as opposed to a United States passport, and the diversification of legal jurisdiction just as one would diversify one's portfolio, providing simple choices for you and your children where one can live and work in the future.

The six bases for citizenship are; place of birth, heritage, marriage, naturalisation, religion, and government grant.

As one looks at a second citizenship, one must understand that citizenship is a lifelong status given by a country affording you all of the rights given by that country to its citizens. It can only be taken away if gained by fraud or treason. 'Honorary Citizenships' are like 'Honorary Degrees'. They are not real citizenships or real degrees!

Passports are a finite travel document of a country's citizens. Passports for non-citizens are an oxymoron; a big offender being the Panamanian Permanent Residency document. It looks like a passport, but this is about residency not citizenship, thus it is not a passport. Many times each year we get calls from people who obtained the Panamanian Permanent Residency, thought it was a passport and renounced their other citizenship. They now have no way to leave Panama and are technically in violation of Panamanian Permanent Residency rules as you need to have a valid citizenship in another country. Also, they need to show a passport for their country of citizenship when the Panamanian Permanent Residency permit comes up for renewal.

Diplomatic Passports are issued to individuals who have been appointed by a country. Diplomatic status and the accompanying diplomatic passport can be revoked at any time at the discretion of the granting country. Further, the Diplomatic Passport requires an advanced visa to every country you travel and for your diplomatic status to be accepted by that country.

Most of what I wish to discuss are those citizenships are offered by government grant. There are several that offer a modest economic investment as a quick path to citizenship, for example Dominica and St Kitts and Nevis. Even the United States has an EB-5 program where by one can invest in the US and create jobs and obtain a green card; a step on the path to citizenship.

Where does the due diligence come in, you looking at the country, the country looking at you, and you looking at the service provider who is facilitating the application?

First you need to look at the country and see if it offers what you are looking for in terms of law, life, travel, etc... Some people think the US is the destination, others in the US think the EU is the destination - it is a very personal choice. But you must do the

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necessary homework and beware of the consequences. One couple married in France obtained French citizenship, renounced their US citizenships and had a detailed prenuptial agreement drawn up in France. Four years later they moved to England only to end up estranged and divorced. The only problem was the UK courts do not like prenuptial agreements let alone a civil law agreement between two French citizens living in common law England. The pre-nuptial agreement was ruled to be unenforceable in the English courts. One must be ever vigilant and informed about the consequences of choices made and rule of law changes as one changes domicile and citizenship.

There are many offers of citizenship delivered in weeks for places like Paraguay, or Dominican Republic, Cambodia, etc... with special facilitators. One facilitator - and this a quote from a web site where on the page on how to get a passport in Paraguay... "The total process usually does not take longer than three days" ... "A few weeks later your residency documents (emphasis added) will be mailed to you if you have left Paraguay". What scares the heck out of me is that there is no way, no way in heck, the Country of Paraguay can make an honest or even cursory - and certainly not diligent - choice as to whether or not the applicant is worthy of residency or citizenship. Further, in Paraguay, the only legal process is going by the three year dwell time, according to the Pyan national constitution (art. 148), any passport given as an "expedited" process, is illegal (emphasis added). There are many thousands of people on the Specially Designated Nationals (SDN) and sanctioned lists. These are some very bad people. These people a) know they are on the list, b) know they cannot get off the list, and c) are actively seeking citizenships in other countries. Would you like to have a passport issued from the same facilitator and same country as say one of the world's top 10 fugitives? What are the odds other countries will reject this country's passports or that this country will allow any expedited passport to remain valid?

A small Caribbean nation had a red faced moment many years ago when several governments rejected the visa free travel their citizenship once enjoyed as those traveling on passports of that country were both unable to locate the country on a map and were also on several SDN lists. I have omitted the country's name as this was many years ago and they have learned their lesson - they now do due diligence research on their applicants. The value of the passport and citizenship really does depend on how thoroughly a country checks out applicants.

You need to perform due diligence on your facilitator. Who are they? What is their profession? Is anyone in the group a licensed attorney? Are they one of those licensed or permitted to offer the services? I mean the whole idea that you can blow into town for three days, pick up a national identification number and a residency card, with residency documents to be mailed in a few weeks, is totally absurd. Even blowing into town for three days to get a residency permit, and coming back in three years - the required dwell

time between residency and ability to apply for citizenship in Paraguay, is also absurd. I am not saying one cannot do this. I am saying it stretches credulity in my gimlet eye.

Do not use a firm that is paying or suspected of paying 'expedite fees' to government officials. Bribery, even if not done with your knowledge but on your behalf, exposes you, the passport holder, to be charged under the Foreign Corrupt Practices Act in the US - and similar laws in other countries, as well as prosecution under that country's local anti corruption laws. Your citizenship and passport will be REVOKED, as it was obtained through fraud.

In short there are White, Grey and Black citizenships.

White citizenships are obtained by law, laws that are public, well drafted and followed.

Grey citizenships are obtained typically from a country that has laws that grant permission for special purposes that are ill defined that will allow for residency to be granted. There is no specific process and no specific prohibition. I'll also toss into this category Honorary Citizenship and Diplomatic Passports.

Black citizenships are those granted that 'short circuit' an established legal process, obtained through chicanery, bribery or just outright sold through a side channel like some of the generals did under Panama's Noriega regime.

The offering of second citizenships pulls up over 45 million web pages. I assure you that that not all or even most of the offerings are legitimate. The offering of citizenships in EnenKio, a three day turn around for residency permits, or an 'I know a guy who knows my who can get a diplomatic passport of a respected African nation' - is just the surface

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By this can get a diplomatic passport of a respected nation – is just the surface of the easy to spot problems.

The serious problem for the seeker of a second citizenship lies with the conduct of the nation when it loses control of a sensitive process such as citizenships, and for the facilitators who choose to make the loss of that nation's control even more expeditious. A second citizenship properly acquired is a great tool for freedom of choice. A second citizenship improperly acquired can lead to prison, loss of investment, loss of citizenship in any nation, or all three at once.

Do your homework.

**I want to thank David Lesperance of Lesperance & Associates for his inspiration and guidance on this topic.*

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