

Talented Specialists Fleeing in '3rd Wave'

By [Roland Oliphant](#)

April 04, 2011



Big state, small people. Many successful Russians are leaving the country, disappointed over its management. **Igor Tabakov**

Scared, fed up and feeling disenfranchised, many successful Russians are investing in citizenship in Western countries, according to consultants who have made a business of facilitating such emigration.

"It seems that the whole generation of 25- to 45-year-old Russians is actively thinking about running away, especially considering the prospect of seeing the same people in power for another 12 years, starting 2012. All dinner conversations tend to finish with this subject," said the general director of a multibillion-dollar multinational company in Russia, who asked not to be identified because of the blunt nature of his comments.

Emigration consultants are seeing tangible results out of this subtle panic.

"We're calling it the 'third wave'" of high-end emigration, said Nuri Katz, president of immigrant investor consultancy Apex Capital Partners, who has been helping those wealthy

enough to qualify — and afford his fees — through fast-track residency programs in Canada and Europe since 1993.

The first two waves Katz recalls came in the early 1990s and at the end of the millennium, following the 1998 default and ahead of the power transfer at the end of Yeltsin's second term in 1999. Now, he says, he's seeing a similar boom from clients who are fleeing economic uncertainty and nervous about the presidential elections in 2012.

In an article in *Novaya Gazeta*, political commentator Dmitry Oreshkin in January called it the sixth great wave of emigration from Russia since the 1917 Revolution.

However you count, the consensus seems to be that those who are able are getting out. Exact numbers are difficult to come by — partly because there are no official figures and partly because few people in the demographic segment that qualifies for fast-track schemes completely uproot and depart. They often have too much to leave behind, and see it as a "Plan B" rather than a final departure.

But if movement of people cannot be measured, dollars can. Russia saw more than \$38 billion in capital flight last year. Experts agree that although some of that comes from increased foreign investment by local companies and legitimate purchasing of foreign currency, a significant amount leaves under dubious contracts and other schemes to export capital.

Even Finance Minister Alexei Kudrin admitted last month that many investors are "hedging their risks" against the upcoming change of power in 2012.

"The crisis of 2008 to 2009 showed that for all that confidence the country picked up in the mid-2000s, this economy is only paper thin," said Alex Aginsky, of Aginsky Consulting Group, another emigration consulting group. "Then there's the political uncertainty. What's going to happen in 2012?"

The ousting of Mayor Yury Luzhkov in fall 2010 has also helped the emigration business, as entrepreneurs fed up with corruption and financial insecurity are being joined by civil servants suddenly worried that they too may need an escape route soon.

On the supply side of the equation are foreign governments competing fiercely to attract wealthy investors — and prepared even to sell citizenship for the right price.

The United States offers a fast track to obtaining a green card and then citizenship in exchange for an investment of not less than \$1 million and the creation of at least 10 jobs.

For targeted employment zones in particular need of economic development, the minimum investment is \$500,000. Applicants for the U.S. program are now allowed to pool their investments with one another, which can make it easier to generate the necessary employment. And the recent addition of "indirect job creation" — as when a domestic company grows its business as a direct result of the foreign investor's activity — has made things significantly easier.

Through this program an investor, his or her spouse and any unmarried children under 21 can get their green cards in two years and citizenship in another three.

Canada's financial demands are much more straightforward — an 800,000 Canadian dollar (\$826,000) interest-free loan to the government repayable in five years — but other regulations, including extremely strict transparency rules, make Canada "one of the hardest destinations in the world," several experts said.

Other popular destinations include Britain, which is liberalizing rules for entrepreneurs and "super investors" even as it cracks down on student and working emigrants. Under new rules announced last month, anyone who deposits £5 million (\$8 million) in a British bank will earn permanent resident status after three years — which drops to two years if you deposit £10 million.

Entrepreneurs can become eligible for permanent settlement rights in Britain within three years if they have created 10 jobs or achieved an annual turnover of £10 million a year for their British business.

Other destinations include Bulgaria and the Baltic states — especially Latvia, which has been actively seeking Russian investors in exchange for much-coveted EU residence rights.

Katz and Aginsky function like old-world matchmakers — joining wealthy would-be emigres with the countries most likely to take them.

And business is booming.

Both men say they saw their turnover double in 2010 compared with 2009, and that it has tripled in the first quarter of 2011 compared with the whole of 2010.

That's still not a stampede, however. Katz expects to serve about 20 to 30 clients this year. Aginsky estimates 16.

It is a narrow slice of a narrow demographic.

Both men characterize their customers as the "second-tier rich" — people worth between a million and several hundred million dollars, but few billionaires.

That's partly because the highest-end players have already made their emergency arrangements — and partly because the really well-known figures can't simply up and leave the country without a public scandal.

Clients tend to be driven by a mixture of personal concerns, lure of tax havens — one of Katz's clients is on his way to becoming a Kittitian Nevisian, as citizens of the pair of Caribbean islands are known, but he points out that "Canada, too, is a tax haven of sorts" — and a citizenship-based version of "keeping up with the Joneses."

"In some circles having the latest yacht on the Riviera is not a status symbol. But if your kids have a blue [American] passport, that means something. It shows you're providing a whole new ticket to freedom," Aginsky said.

"I'd estimate a third of my clients are doing it for the sake of their children; one-third are simply sick of corruption; and one-third are people who've amassed enough wealth and just feel like doing it because they can now afford to," Aginsky said.

But the choice of final destination is a personal one: The United States tends to benefit from the ineffable appeal of the American dream and its world-class universities; European destinations, from Britain to the Baltic states and Bulgaria, are closer to home and much more convenient if you want to carry on running a business in Russia.

But it is not simply a matter of handing out visas to those with the money, as former Mayor Luzhkov discovered when he was turned down for residency in Latvia in January — despite qualifying for its business emigration scheme, which entitles foreigners to a residency permit when they put \$380,000 in a local bank account and leave it there.

Luzhkov was unfortunate enough to be included in a "black list of undesirable persons" — at least partly because of his dubious business reputation and unfriendly comments he had made about the Baltic states. But you don't have to be a comic book villain of Russian politics to lose out.

Katz and Aginsky reckon they turn down one in every five potential clients for "transparency issues."

The United States, Canada and others may want millionaires' money — but they also require prospective citizens to demonstrate that their assets have been acquired legally.

But wealthy Russians — regardless of how legitimately they have come by their riches — have an unfortunate habit of concealing their assets by distributing their wealth among family members and friends.

"That can make it tough to prove that a man owns what he says he does," said Katz, who has been working for five years to place one client — a multimillionaire who made his fortune during privatization in the early 1990s.

The delay was caused when the Canadian immigration services demanded accounts audited to international standards dating back to 1993 — initiating a paper chase of near-Sisyphean proportions.

Katz admits that he wouldn't have taken that particular client on if he'd known the Canadian authorities would make that kind of demand.

Original url:

<https://www.themoscowtimes.com/2011/04/04/talented-specialists-fleeing-in-3rd-wave-a6077>