

Why Russians Are Choosing Malta Over Putin (Op-ed)

A controversial passport-selling scheme is proving irresistible to business elites

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(Bloomberg View) — Despite growing hostility between Russia and the West, President Vladimir Putin clearly hasn't succeeded in convincing the Russian business community that it should be more patriotic. The list of new citizens of Malta, published by the island nation's government, has enough well-known Russian names to drive home an uncomfortable truth for the Kremlin: The Russian elite doesn't feel attached to Putin's besieged fortress project.

Malta's so-called Individual Investor Program allows a non-resident foreigner to essentially buy citizenship in the European Union for a 650,000 euro (\$779,000) payment to the state plus a 150,000 euro investment in government bonds. A property purchase or long-term

rental contract and due diligence fees are also required. It's a family-friendly offer: Spouses and children pay no more than 50,000 euros each. This deal is not offered by any other EU state.

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The European Parliament condemned it in 2014, saying EU citizenship "shouldn't be for sale at any price," and has regularly returned to the issue. The Maltese government, however, is not budging. Apart from allowing visa-free travel to more than 160 countries, its passport lets its owner live, work and do business anywhere in the European Union. So demand is high, and in 2016, it allowed Malta to go from a budget deficit to a surplus. Citizenship sales contributed 163.5 million euros to government revenue in that year.

Malta refuses to publish a separate list of passport buyers, but it names all new citizens — regardless of how they attained the status — in its official newspaper. The 2016 list, out now, includes a Saudi sheikh arrested in the recent purge, Pakistani tycoons and an Azerbaijani banker. Also, dozens of Russians.

The best known and likely the wealthiest of them is Arkady Volozh, the founder of Yandex, Russia's biggest search engine and car-hailing service. Putin visited Yandex's office last September to learn about the company's advances in artificial intelligence. Not all of the firm's workforce was happy to see the president — one employee was barred after posting on a social network that he'd spit at Putin — but Volozh argued in a letter to staff that he considered the visit important in promoting the company. Yandex has been generally cooperative with the Kremlin, as CEO Herman Gref of Sberbank, Russia's biggest state bank, has sat on its board since 2014. Volozh, however, clearly doesn't feel entirely secure as a key figure in Russia's tech sector. He obtained Maltese citizenship for his entire family.

Malta's newest citizens also include several top Moscow real estate developers, a co-founder of the Kaspersky cybersecurity company, the heads of Russia's biggest gold producer and one of the biggest energy utilities, one of the top owners of agricultural land, the founders of the leading sports equipment store chain and the owner of Russia's leading private vodka distiller. This is the nation's business elite.

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They're not emigrating, and their Russian business interests will prevent them from expressing open disloyalty to the Kremlin. But they are unwilling to put all their eggs in Putin's basket, which is a source of constant annoyance for him.

In 2014, when the U.S. and the EU imposed Ukraine-related sanctions on Russia, the Kremlin offered businesspeople a "capital amnesty" so they could repatriate some of the approximately \$1 trillion that has fled Russia since the Soviet Union fell apart. But only some 2,500 of them declared their foreign assets under the amnesty, which ran out in 2016. With the U.S. expected to sanction an unknown number of Russian "oligarchs" close to Putin, the Russian leader has redoubled his efforts. During a December meeting with leading business figures, he reportedly offered special government bonds to investors willing to "come home."

A Maltese passport, however, looks to many like a better investment. The people on the Maltese government's list have few reasons to fear sanctions since they're not part of Putin's inner circle or large government contractors. But they would be imprudent not to think about fallback options in case someone from that circle or Russia's fearsome law enforcement machine moves against them. There's little Putin can do about that: In the system he has built, not even he can fully hold back the greed of his friends and enforcers.

As Vladislav Surkov, Putin's former deputy chief of staff and current point man on Ukraine, once remarked about Russia's cautious business leaders, "even if we call these people an offshore aristocracy, we should by no means consider them enemies. All these Counts of Bermuda and Princes of the Isle of Man are our citizens who have many reasons to behave this way." Putin's recent hard sell of Russian patriotism both to the country and to the world does nothing to counter those reasons. Nor has it empowered Putin to expropriate wealth from the insincerely loyal capitalists: His system depends on their cooperation and their investment, and he wants to be able to use their reach in the West.

The Russian billions still hidden away abroad are perhaps the clearest evidence that Putin's system is inherently weak. He may be tolerated, even feared, but he's widely distrusted. If Maltese passports were cheaper, Russians might sink the island in a stampede to get them.

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