

• Author: [Olga Gulina](#)

[Russians' Investments in the West](#)



Back in the 1970s, American economist, Albert O. Hirschman, put forward a theory entitled “Exit, Voice, and Loyalty” which dealt with citizens’ responses to given changes. In contemporary Russia, where the “Voice” element of this theory is virtually redundant or is strictly censored, all are facing a personal dilemma: remain “loyal” or leave, ergo the “Exit” element. Everything is relatively clear regarding those who are loyal. We know far less about those who do voice their opinions and about those who have opted for “Exit”.

“Exit” requires Russians to adequately prepare: they are to be faced with the tasks of finding a new place of residence and securing a new source of income. That is why programs and initiatives of those Western countries which offer a residence permit and subsequent citizenship to Russians in exchange for investments in the economy and the creation of jobs, are so popular.

Many countries on both sides of the ocean are eager to attract Russian human and financial capital. The geography of Russian investments in exchange for residence and/or citizenship in the West is far-reaching, however, these investment programs offer benefits only to a small number of representatives of big businesses and to the Russian middle class. Russian owners of big capital invest in the United States, the United Kingdom, Austria, and other Western European countries, whereas the vanishing Russian middle class has elected to hold on to their assets and, until recently, to purchase real estate mainly in Turkey, the Baltic States and Eastern Europe.

The United States

According to U.S. statistics, the number of Russians who are prepared to invest at least \$1 million USD into the U.S. economy (or \$500,000 in less densely populated areas) - thereby creating 10 jobs or more in the process in exchange for a green card under the EB-5 investor visa program - is growing year-by-year.

Between 1992 and 2014, Russians [invested](#) \$79,500,000 into the U.S. economy within the framework of such programs, \$14,500,000 of which comprised investment contributions by Russians in 2014. In fact, Russians are ranked sixth among countries whose citizens invested in the U.S. economy through capital investments and job creation. In 2015, the out and out [leaders](#) amongst holders of EB-5 investor visas on U.S. territory were citizens of China (83.5% or 8156 of issued EB-5 visas) followed by (in descending order) citizens of Vietnam, Taiwan, South Korea and India. 88 Russians were granted EB-5 investor visas permitting them to reside in the United States in 2015.

The United Kingdom

Until recently, Russians showed great interest in investing in the economy of the United Kingdom as well. In 2014, the number of Tier-1 investor visas issued to Russians rose to 184 (up from 117 in 2013). Similar positive [dynamics](#) was also observed during preceding years: in 2009-2010, 57 Russians took advantage of investor visas to obtain a residence permit for themselves and their family members residing in the United Kingdom; 88 individuals in 2010-2011; and 125 individuals in 2011-2012.

According to the U.K. Migration Advisory Council, 433 Russians acquired a residence permit having invested

approximately £1 million in the U.K. economy between 2008 and 2013. Apart from Russians, Chinese (419) and U.S. citizens (96) also ranked in the top three in terms of Tier-1 investor visa acquisition. The 2015 changes relating to the requirements regarding minimum investments - more than £2 million as of today - have led to a reduction in Russian interest though have not served to stifle interest completely. In the first half of 2015, the number of Russians who applied for an investor visa in the United Kingdom [dropped](#) by 69% on the first two quarters of the preceding year.

Portugal

The “Golden Visa” program, launched by Portugal in 2012, also garnered Russian interest. Russians (99), as well as citizens of Brazil (110) and China (2248), were the three highest-ranking in terms of acquisition of residence permits in exchange for investments throughout the three years that the program was in effect. Under Portuguese law, the minimum investment should exceed €1 million or allow for the creation of 10 jobs or be equivalent to the purchase of real estate valued at over €500,000 or, if the real estate is in need of modernization and/or situated in a low-density area of Portugal, over €350,000. It is difficult to arrive at a precise estimate regarding the proportion of Russians’ investments in the overall revenue of the program between 2012 and 2015. However, it is clear that Russian [investments](#) accounted for a hefty portion of the €1,732,307,244 cumulative total.

Austria

Russians’ love for Alpine scenery has its pecuniary equivalent. Article 10(6) of the Austrian Nationality Act provides for the granting of citizenship to aliens having special merits for the Republic and/or having carried out “extraordinary” investments in the economy of the country. The category of the “extraordinary” investment includes a one-off investment in an amount of at least €2.5 million or a recoverable investment worth at least \$10 million. Moreover, Austria only accepts investments from investors with a sound personal and professional reputation as only those who are able to supply references from Austrian business partners are considered. As an additional, enticing bonus, ex-pats are also given the opportunity to retain the citizenship of their country of origin (which does not apply to any other group of naturalized foreigners).

Officially, the Austrian Immigration, Citizenship and Registration Office does not disclose information regarding citizenships previously-held by individuals who are granted Austrian citizenship in line with Article 10(6) of the Austrian Nationality Act. However, requests made by authorized public services are an exception to this regulation. All that can be gleaned from available information is that there were 29 individuals in 2009; 26 in 2010; 23 in 2011; and none in 2012-2014. Amongst those Russians to take advantage of the opportunity to acquire Austrian citizenship was the youngest daughter of the first Russian president, Tatyana Yumasheva, who invested in the automotive industry, and Yelena Baturina, the wife of former mayor of Moscow, Yury Luzhkov, who invested in the promotion of tourism, the sports industry and a hotel business in Austria.

Investments by the middle class

Lacking the financial clout of representatives of big businesses, middle-class Russians have invested in real estate in Turkey, the Baltic states and other Eastern European countries.

The Latvian investor program - the purchase of the real estate in exchange for residence permits (73% of approved candidates are citizens of Russia; 8% - citizens of Ukraine; and 5% - citizens of Kazakhstan) boosted the budget of **Latvia** by €600 million between June 2010 and October 2014, with [80% of the sum having](#) been contributed by Russian nationals. Statistically, the typical demography of a Russian participant of the Latvian program is as follows: male (64%); aged 35-45 (37%) or 46-55 (29%); entrepreneur; resident of a large Russian city; planning to open a business in Latvia or move (53%) his current business to Latvia following the purchase of real estate situated there.

[According to](#) the **Turkish** Statistical Institute, Russians purchased 2,036 apartments and houses in Turkey worth \$398 million in 2015 and ranked fourth among foreign buyers of real estate behind citizens of Iraq (4.228 real estate units), Saudi Arabia (2.704), and Kuwait (2.130). Unlike in the case of Latvia, representatives of the Russian middle class purchase real estate in Turkey [to provide](#) an escape route for themselves and their family members while continuing their business activity or employment in Russia.

[According](#) to the Central Bank of the Russian Federation, citizens of Russia invested \$962 million in real estate abroad (versus \$2.048 million in 2014) in 2015. It is noteworthy that statistics of the Central Bank include only legal, cross-border transfers; it is obligatory to stipulate the purpose for making such a payment. But even these figures are impressive: as it [happens](#), in 2015, the total value of Russian foreign real estate purchases exceeded the 2016 Russian housing and public utilities budget or the budget for environmental protection, and the 2014 cumulative total surpassed the 2016 culture and cinematography budget.

It is difficult to accurately determine the cumulative total of investments by Russians in the West today as it is not easy to quantify this outflow in monetary terms. The present-day uncertainty, the unpredictability of the authorities, the lack of long-term strategies in the planning of the country's development - all of these factors serve to instil a sense of a stolen future in the middle class and promote forced cosmopolitanism among representatives of big businesses. All in all, this pushes representatives of both classes to devise their "Exit" strategy in connection with investments and/or job creation in the West.

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