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LEVIATHAN

Dual citizenship: the economic benefit for governments

__Harrison Shum__ details the potential impact of dual citizenship on national economies, and how the potential issues that it raises are largely offset by the potential for economic benefits.

In an increasingly globalised world, a growing number of people hold citizenship of two or more countries, and the rise of foreign-born populations in many countries has brought the term "dual citizenship" into common usage in mainstream media. A survey with approximately 50,000 responses conducts in Houston, Texas shows that support for dual citizenship from India is strong among Indian-Americans (The Economic Times 2019). Public opinion is dividing, however some advocate more lenient policies for dual citizenship, as they believe it will generally benefit their country, while others worry about the loyalty of dual citizens to their home and host countries. Dual citizenships can have great economic benefits for most governments, such as encouraging foreign direct investment (FDI) and growing the workforce. These benefits can vary in range and degree and done best through a case-by-case analysis, but an examination of the likely benefits and costs of dual citizenship shows that dual citizenships will do more benefits than harms by importing more investments and labours to the host countries in most cases.

Increased gross national disposable income:

One potential benefit to allowing dual citizenship is that dual nationals can indirectly boost gross national disposable income (GNDI) by bringing with them an influx of foreign assets upon emigrating to their host country. GNDI is the sum of disposable income from all citizens; a high GNDI means there is high consumption and saving of each individual citizen (Antonioni et al. 2007, 132). A high GNDI often indicates that the economy of the country is healthy and that residents of the country are generally well-off (Gottfries 2013, 23).

An essential step in growing GNDI is increasing net forex inflow (NFI), which is the aggregate value of foreign currencies flowing into the country. This can come from foreigners in the form of FDI, or from citizens themselves (Gottfries 2013, 24). There are strong evidences suggesting that a country's NFI can expects to increase after they have allowed dual citizenship, as dual citizens are expecting to have more of an incentive to send remittances across borders for the purpose of investment rather than just consumption (Mpofu 2010). Having a high NFI can also provide a government with a budget surplus to use for investment. It will therefore increase not only domestic investments from local governments, but also investments from overseas. Dual citizens are also more likely than non-dual citizens to successfully attract and partner with investors from their home country to invest ventures in their host country (and vice versa), as foreign investors often feel more comfortable partnering with people with whom they share a background with (Siaplay 2014).

The economic benefits of high NFI are seen plainly in the case of the Philippines, a country with an estimate ten percent of its citizens living abroad (Lucas 2019b). NFI has become one of the major sources of GNDI for the Philippines (Mckenzie 2012, 138), hitting a 6-year high in 2019. Remittances from expatriate Filipinos have steadily increasing, as have net inflows of foreign portfolio investments (FPI) in the first quarter of 2019 and net inflows of FDI in the first two months (Lucas 2019a).

Global flows of financial remittances are steadily increasing in volume from the 1990s to the present day. In 2017, migrants who live and work in developed countries sent an estimated $466 billion to families in developing countries (Swing 2018). Money sent home from abroad is shown to be more stable than both private debt and portfolio equity flows and several times larger than international development aid (Swing 2018). Additionally, governments of both the host and home countries might easily generate additional revenues by placing taxes on remittances leaving or entering the country.

Permanent labour force:

Legalising dual citizenship can not only increase foreign investment, but also increases the labour force, which in turn will predictably lead to higher tax revenues for the host country's government. There can be similar growths in the permanent labour force; immigrant workers are more likely to become citizens of a host country if they are not required to give up their original citizenships. Since Switzerland first legalised dual citizenship in 1992, Geneva has been having a significant increase of dual nationalities, from only 6 percent in 2000 to 27 percent in 2014-2016 (Swissinfo 2019). This dramatic increase provides Switzerland with additional stream of long-term workers – as a country with a growing labour supply, the Swiss job market is likely to become increasingly competitive while average wages decrease (IZA World of Labor 2016).

The option for expatriate dual citizens to return to their home countries might in turn affect private investment in human capital, as dual citizens would have larger access to education/human capital due to holding two or more passports. Part-time workers who are seniors returning home countries for retirement will be more available on the job market. For example, nearly a quarter of foreign-born senior Canadians will return to Canada for retirement (Frank and Hou 2012, 18-19). Dual citizens will be able to feel more comfortable to return to their home country if both host and home countries permitted dual citizenship.

Attracting expatriates:

An open-minded and friendly society will have an advantage over societies where citizenship is exclusive in attracting foreign expatriates and foreign investment. Expatriates often bring a specialised or entirely unique skillset that variegates their local pool of skilled and unskilled labour, which often benefits the host society in terms of job creation, market diversification, and competitive innovation (Geraldine 2018). Expatriate entrepreneurs have been establishing businesses that employ many domestic workers across sectors in various industries. According to the UK Department of International Trade, India created 140 new projects in 2015-16, creating and safeguarding thousands of jobs in the UK (Gov.uk 2016).

Two primary things which attract foreign expatriates are a) the availability of quality education for non-local children in the host country and b) a general level of English proficiency in society. A country with a large population of dual citizens will have a significant demand for non-local education, as families with dual citizenship may prefer to send their children to an institute which offers curricula from their home country. The government of Hong Kong issues policies such as interest-free loans and reimbursing government rent in response to demand for international schools, which help to attract more foreign expatriates (International Schools in Hong Kong 2014). Such a policy environment may partially explain why Hong Kong is currently one of the most desirable places for foreign investments and working abroad (Zhang 2019).

Lobbying to increase foreign investment:

On movement across borders can improve relations between the countries in question. According to Leblang (2015, 94), migrant communities can serve as advocates for their home country by lobbying their host countries for foreign assistance, preferential economic and military policies, and better treatment of immigrants from their countries.

Additionally, private firms in the host/home country will be able to expand their operations to foreign markets more easily by taking advantage of the large number of dual citizens in their country. According to Migration Policy Institute, there were 11 million Mexican immigrants in 2018, or 25 percent all immigrants. American firms can expand their Central American business if they hire dual citizens who are familiar with the unique cultural and business environments of Mexico and Central America.

In 2002, the Global Organization of People of Indian Origin lobbied the Indian government for increasing property and travelling rights for overseas Indians. This is a major step towards dual citizenship in India (Sejersen 2008). Dual citizens can be important lobbyists for more friendly policies in host countries towards their home countries, and in countries with large populations of dual citizens, the government may be more likely to issue such policies in hopes of attracting even more expatriates and FDI. These policies range from issuing subsidies to streamlining administration to enhancing services for foreign investors.

Naturalisation in the host country:

Immigrants from countries that have recently legalised dual citizenship are finding to be more likely to naturalise, and to experience relative gains in employment earnings and lower reliance on welfare. This can be due to the likelihood that dual citizens will only move back to their home country if they can ensure they will have stable employment relative to their employment in the host country. This suggests that dual citizens will be less likely to be reliant on welfare and would, in fact, be able to contribute to the home country's productivity.

Allowing dual citizenship in the home country will also positively impact other countries, as citizens will be likely to naturalise in the host country. After several South and Central American countries allowed dual citizenship in the 1990s, the naturalisation rate in the United States increases by 10 percent, likely because of the significant population of South and Central American citizens in the US (U.S. Immigration Trends 2019). While in many cases these factors indicate that allowing dual citizenship will not lead to increase reliance on welfare, in countries where there are systems of universal-based welfare, dual citizens can actually take advantage of the system while not living in the country.

Moreover, the general public may question the loyalty of dual citizens, the wealthiest of whom could enter the host country only to take advantage of favourable conditions there, such as universal health care, low tax rates, lax market regulations, without adding significant value themselves. Wealthy globetrotters who carry multiple passports usually are primarily concern with their own interests; in this, they are little more than a matter of convenience (Young 2017). Demanding perfect loyalty from them to their country of birth, or to their adopted land, is a high-minded expectation which will never fully be met (Nizamani 2012). Nonetheless, the foreign loyalty of dual citizens is, in fact, perceive to be as high as that of foreign citizens from three studies results inlcuded participants from Finland, The Netherlands and Germany (Inga Jasinskaja-Lahti et al. 2019).

Conclusion:

Although dual citizenship may be associated with specific concerns about specific circumstances such as conflicts of interest within the loyalties of dual citizens, it can still produce more benefit than harm. As suggested above, allowing dual citizenship can increases the country's productivity by adding to the long-term supply of labour. Lobbying by dual citizens will also be likely to push governments towards policies friendly to foreign investment. Dual citizenship is one of the key ways by which countries should take advantage of the connections that globalisation has made possible.

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