Show Me The Money: The Case for EB-5

By “Coach Vance” Trefethen

***Resolved:* *The United States federal government should substantially reduce its restrictions on legal immigration to the United States.***

Summary: The EB-5 visa is a pilot program that was started over 25 years ago and keeps getting renewed by Congress on a "temporary" basis. EB-5 is a visa that grants US residency to a foreigner who invests a certain threshold amount of money in new business development that creates at least 10 new jobs. There's a big backlog of would-be immigrant investors who would love to bring their money to the United States and put it into our economy, but they're blocked by a long backlog because the EB-5 visa quota is set too low. This plan raises the quota and converts EB-5 from a pilot to a permanent program. The result will be massive economic gains and big job growth.

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Show Me The Money: The Case for EB-5

The EB-5 visa attracts to this country the very kind of people that even skeptics on immigration want to see come here: Successful entrepreneurs willing to invest in the US economy and create jobs. Please join us as we affirm that: The United States federal government should substantially reduce its restrictions on legal immigration to the United States.

OBSERVATION 1. INHERENCY

FACT 1. EB-5 Backlog

A. Rising Backlog. Applications for EB-5 are rising and over 24,000 are in the backlog

WALL STREET JOURNAL 2017 (journalist Peter Grant) 24 Oct 2017 " Backlog in EB-5 Immigration Program Creates Cash Hoard for Property Developers" <https://www.wsj.com/articles/backlog-in-eb-5-immigration-program-creates-cash-hoard-for-property-developers-1508842802>

More than 4,400 petitions for EB-5 status were filed in the third quarter of fiscal year 2017, which ended in June, according to Invest In the USA, a trade association. The number of pending petitions was up 11% from the second quarter to over 24,600, the group said.

B. On the Brink. EB-5 backlog is so bad that the program is in crisis and at risk of losing viability

[Bernard Wolfsdorf](https://wolfsdorf.com/lawyers/bernard-wolfsdorf/) and [Joseph Barnett](https://wolfsdorf.com/lawyers/joseph-barnett/) 2017. (immigration attorneys) " Solutions to the Chinese EB-5 Visa Backlog" 27 July 2017 <https://wolfsdorf.com/blog/solutions-to-the-chinese-eb-5-visa-backlog/>

Today, the backlog stands at [over 3 years](https://travel.state.gov/content/visas/en/law-and-policy/bulletin/2017/visa-bulletin-for-july-2017.html), and it’s been estimated that the wait time for conditional residency for Chinese EB-5 investors filing today could be almost 10 years. Since mainland Chinese nationals make up around 80% of all EB-5 investors, a crisis is looming as a result of the EB-5 Immigrant Investor Program’s recent success, which threatens the very viability of the visa program.

FACT 2. Total and per-country quotas

A total limit of 10,000 and lower quotas per country of origin are responsible for the backlog

WALL STREET JOURNAL 2017 (journalist Peter Grant) 24 Oct 2017 " Backlog in EB-5 Immigration Program Creates Cash Hoard for Property Developers" <https://www.wsj.com/articles/backlog-in-eb-5-immigration-program-creates-cash-hoard-for-property-developers-1508842802>

The backlog is primarily in China, where the EB-5 program has become so popular that applicants can face delays of more than 10 years from the time they make their investment of at least $500,000 to the time they get their visa. The U.S. government limits the number of EB-5 visas to 10,000 a year, and per-country cutoffs can get imposed on countries like China where the application rate is high.

FACT 3. Derivatives

Two out of three EB-5 visa quota slots are used by derivative family members rather than investors

Carla Argueta & Alison Siskin 2016. (Argueta – analyst in immigration policy. Siskin – specialist in immigration policy. Both are with Congressional Research Service) 22 Apr 2016 "EB-5 Immigrant Investor Visa" <https://fas.org/sgp/crs/homesec/R44475.pdf>

As the allotment for EB-5 visas includes derivatives, the total number of immigrants admitted through the investor visa program does not reflect the actual number of investors. On average, individual immigrant investors (principal investors) accounted for approximately one-third of all those granted EB-5 visas. On average, each investor has had approximately two derivatives granted conditional LPR status along with them over the time period examined.

OBSERVATION 2. We offer the following PLAN to be implemented by Congress and the President

1. EB-5 is converted from a pilot program to a permanent visa category  
2. The quota of EB-5 visas is expanded to 100,000 per year.   
3. Derivatives no longer count against the EB-5 quota for investors.  
4. Per-country quotas are eliminated  
5. Enforcement through US Citizenship and Immigration Services

6. Funding from fees charged to immigrants for visa processing and general federal revenues.

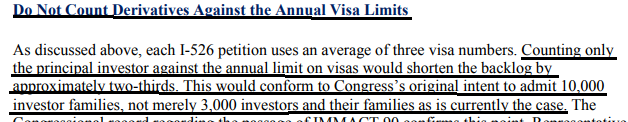
7. Plan takes effect the day after an Affirmative ballot.

8. All Affirmative speeches may clarify.

OBSERVATION 3. SOLVENCY. The plan reduces the backlog

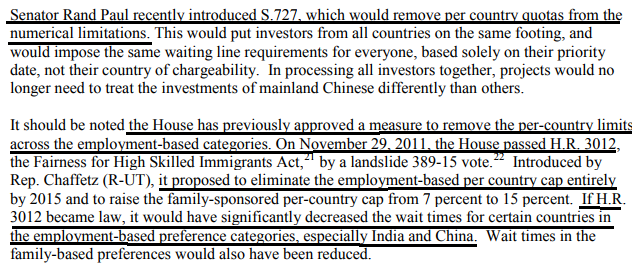
SOLUTION 1. Not counting derivatives solves 2/3 of the backlog

Bernard Wolfsdorf 2017 (immigration attorney; lead author along with the American Immigration Lawyers Association EB-5 Committee) White Paper: Solutions to the EB-5 Visa Waiting Line <https://d2xxqpo46qfujt.cloudfront.net/downloads/AILA-White-Paper--Solutions-to-EB-5-China-Backlog.pdf>



SOLUTION 2. Per-country quota elimination reduces wait times

Bernard Wolfsdorf 2017 (immigration attorney; lead author along with the American Immigration Lawyers Association EB-5 Committee) White Paper: Solutions to the EB-5 Visa Waiting Line <https://d2xxqpo46qfujt.cloudfront.net/downloads/AILA-White-Paper--Solutions-to-EB-5-China-Backlog.pdf>



OBSERATION 4. ADVANTAGES

ADVANTAGE 1. Massive investments and new job creation

Expanding EB5 quota to 100,000 would bring massive investment and 1.6 million jobs

Mike Halloran 2017. (CEO of Silicon Valley fintech company NES Financial ) "Don't kill the 'golden visa' – expand it" POLITICO <https://www.politico.com/agenda/story/2017/05/09/investor-visa-program-kushner-jobs-000440>

Second, expand the entire program. Lawmakers could increase the number of EB-5 visas granted each year from 10,000 to 100,000. Anti-immigrant groups may faint at the idea, but it is difficult to argue this isn’t merit-based immigration. At the investment amounts Congress is considering, such an increase could bring $100 billion in foreign direct investment into the country. Using Department of Commerce data as a starting point, that could project to 1.6 million jobs a year if fully subscribed. If steered properly this volume of investment would also lift rural development and appease critics like Sens. Charles Grassley and Patrick Leahy. In fact, lawmakers could use the expanded EB-5 program to direct as much as $1 trillion to infrastructure projects — a top priority of the Trump administration.

ADVANTAGE 2. Financial crisis lifeline

EB-5 brings investment during financial crisis, creating economic growth

Aimee Picchi 2017 (journalist) 8 May 2017 MONEYWATCH "EB-5 visas: 5 things to know about the "golden ticket" to U.S. residency" <https://www.cbsnews.com/news/eb5-visas-kushner-trump-golden-ticket/>

EB-5s grew more popular in the wake of the financial crisis, when developers had a tougher time raising money from U.S. banks and turned to the visa program to find new sources of capital, Fitzpatrick noted. "The benefit is it brings money back to the U.S. when we've had years of outsourcing," he said. "My view on it is: Do an objective assessment. I'm a real-life person who is benefiting from the program. My cost of capital goes from 15 percent to 20 percent to 5 percent, and that make a difference between building three buildings versus seven buildings. Economic growth does come from this."

ADVANTAGE 3. Reverse inner city decline

Link: Minimum investment is lower if it's going to a high-unemployment area

Kim Zeuli and Brian Hull 2014 (Zeuli - Ph.D. applied economics, Senior Vice President and Director of Research at the Initiative for a Competitive Inner City. Hull - has extensive experience working with cities on economic development plans, anchor strategies and workforce development; Master in Public Policy from the John F. Kennedy School of Government at Harvard Univ.) June 2014 Increasing Economic Opportunity In Distressed Urban Communities With EB-5 <http://icic.org/wp-content/uploads/2016/04/ICIC_EB5Impact_Report.pdf>

The EB-5 Immigrant Investor program, administered by United States Citizenship and Immigration Services (USCIS) was created by the Immigration Act of 1990 to stimulate the U.S. economy through capital investments made by foreign investors to create jobs. It attracts foreign capital by facilitating conditional permanent resident status for foreign investors (and their dependents) who make a significant investment in an eligible business or development. The investor’s minimum contribution must be $1 million, or $500,000 if located in a targeted employment area (a rural area or an area with an unemployment rate of at least 150 percent of the national average).

Impact: Troubled inner cities can reverse decline thanks to targeted EB-5 investments

Dr. Kim Zeuli 2015 (Ph.D. applied economics, Senior Vice President and Director of Research at the Initiative for a Competitive Inner City) 15 Jan 2015 EB-5 Investment Opportunities in U.S. Inner Cities <http://www.eb5investors.com/magazine/article/investing-in-inner-cities>

In American cities with over 75,000 people, there are 328 inner cities. Fifty-eight percent of inner cities have unemployment rates of at least 150 percent of the national average, which qualifies them as targeted employment areas (TEAs) and makes them competitive locations for EB-5 investment. Leaders from these cities are increasingly interested in using the EB-5 program to make their urban areas more competitive, meaning more opportunities for EB-5 investors.  This interest is tied to a new awareness in some cities that immigrants can drive economic growth, especially in distressed urban areas. A recent influx of immigrants is helping to stabilize declining older industrial cities such as Cleveland, Toledo, Detroit and Syracuse that have been losing residents for decades. New York, San Francisco and other traditional immigrant destination cities have long understood that while immigrants seek out American cities as proverbial lands of opportunity, they can also play a significant role in urban economies by creating new jobs and investing in development. As smaller cities across the United States are realizing this potential economic impact, many are enacting local initiatives to help draw more immigrants and investment to their communities.

ADVANTAGE 4. Human Rights in China

Link: 80% of EB-5's are from China

[Bernard Wolfsdorf](https://wolfsdorf.com/lawyers/bernard-wolfsdorf/) and [Joseph Barnett](https://wolfsdorf.com/lawyers/joseph-barnett/) 2017. (immigration attorneys) " Solutions to the Chinese EB-5 Visa Backlog" 27 July 2017 <https://wolfsdorf.com/blog/solutions-to-the-chinese-eb-5-visa-backlog/>

The EB-5 community has contended with the Chinese EB-5 visa backlog ever since the U.S. Department of State (“DOS”) implemented a cut-off date in May 2015.  Today, the backlog stands at [over 3 years](https://travel.state.gov/content/visas/en/law-and-policy/bulletin/2017/visa-bulletin-for-july-2017.html), and it’s been estimated that the wait time for conditional residency for Chinese EB-5 investors filing today could be almost 10 years. Since mainland Chinese nationals make up around 80% of all EB-5 investors, a crisis is looming as a result of the EB-5 Immigrant Investor Program’s recent success, which threatens the very viability of the visa program.

Impact: China has bad human rights

Human Rights Watch 2017. (non-profit international human rights advocacy group) "China: Events of 2016" <https://www.hrw.org/world-report/2017/country-chapters/china-and-tibet>

More than three decades after pledging to “reform and open up,” there are few signs the Chinese Communist Party intends to change its authoritarian posture. Under the leadership of President Xi Jinping, who will remain in power until 2022 and possibly beyond, the outlook for fundamental human rights, including freedoms of expression, assembly, association and religion, remains dire. China made modest improvements in a few areas in 2016. These include trial regulations promulgated in February that may reduce the rate of pretrial detention, the Supreme People’s Court’s continued efforts to retry cases of wrongful convictions and executions, and the acceptance by courts of discrimination cases brought by lesbian, gay, bisexual, and transgender (LGBT) individuals. But such developments pale in comparison to the government’s systematic efforts to silence independent civil society voices, its passage of abusive new laws, and a highly politicized anti-corruption campaign that is further undermining an already weak judicial system.

Solvency: Wealthy exodus increases pressure for political reforms

Prof. Steve Hess 2015 (Assistant Professor of Political Science and East Asia and Pacific Rim Studies at the University of Bridgeport) The Flight of the Affluent: Exit, Voice and Loyalty and the Problem of Wealth Drain in Contemporary China 17 Nov 2015 (brackets added) <https://www.researchgate.net/profile/Steve_Hess/publication/283795873_The_Flight_of_the_Affluent_Exit_Voice_and_Loyalty_and_the_Problem_of_Wealth_Drain_in_Contemporary_China/links/564dbab708aefe619b0e1303/The-Flight-of-the-Affluent-Exit-Voice-and-Loyalty-and-the-Problem-of-Wealth-Drain-in-Contemporary-China>

If capital flight accelerates and causes increasing damage to China’s already slowing economy – beyond the 3% loss in GDP experienced in 2011[[1]](#footnote-1) - it is possible that Beijing will face a serious budgetary crisis driven by both the confrontational voice of the middle and working classes and the exit of its wealthiest citizens. Such cross-cutting pressures might force the CCP [Chinese Communist Party] to consider meaningful political reforms as the only option to avert escalating regime destabilization.

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1. Hou (2014). [↑](#footnote-ref-1)