Negative: EB-5 Visas

By “Coach Vance” Trefethen

AFF Plan would increase the number of EB-5 visas granted to Chinese citizens to immigrate to the US. EB-5 is a visa granted to wealthy individuals who invest a certain amount of money in the US (starting new businesses, creating jobs, etc.) as a condition of receiving the visa. This is a bad idea for several reasons. First, EB-5 investors contribute very little to the US economy. The "job creation" numbers are phony and are merely a disguise for people rich enough to buy a green card, while many more worthy immigrants are left out. EB-5 investments usually don't benefit the economy and certainly don't benefit depressed inner cities because the money, if it isn't diverted by fraud, just buys real estate in rich neighborhoods. And who benefits? Think about the national security implications of those whom the Chinese government would allow to take all that tightly controlled money out of their country – what is China getting in return? An entry into the US for spies and saboteurs who can do serious damage to our national security.

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NEGATIVE BRIEF: EB-5 Visas

NEGATIVE PHILOSOPHY

Selling visas to foreigners with no skills and paving the way for money laundering and compromising national security

Bloomberg News 2016 (journalist Jesse Drucker) 6 March 2016 “Trump Tower Funded by Rich Chinese Who Invest Cash for Visas” <https://www.bloomberg.com/politics/articles/2016-03-07/trump-tower-financed-by-rich-chinese-who-invest-cash-for-visas>

The video was produced to help raise tens of millions of dollars through a controversial government program that offers expedited visas to foreign investors overwhelmingly from China. While the program has many supporters who argue it attracts foreign capital and creates jobs at no U.S. taxpayer cost, congressional overseers and Homeland Security have raised sharp concerns. Applicants are sometimes cleared in less than a month and the critics say the government is essentially selling visas to wealthy foreigners with no proven skills, paving the way for money laundering and compromising national security.

HARMS / SIGNIFICANCE

1. EB-5 investment funds are insignificant

EB-5 gets all the hype, but only marginal significance. Most of the project money comes from US investors.

David North 2016 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) “GAO Finds Most Funding in EB-5 Projects Is NOT from Alien Investors” 24 Oct 2016 <http://cis.org/north/gao-finds-most-funding-eb-5-projects-not-alien-investors>

“The majority of the money invested in projects that attract EB-5 (investor visa) funding does not come through that program; it comes from mainstream capital sources. But despite this fact, the alien investors continue to be given sets of green cards for their half-million-dollar inputs. The marginal significance of the EB-5 funds was described in a [recently released report](http://www.gao.gov/products/GAO-16-749R) by the Government Accountability Office. It has long been known that the job-creating aspects of the EB-5 program have been overblown. Typically, EB-5 promoters claim credit for all the jobs — directly and indirectly created by these projects — even though only a faction of the capital has come from alien investors. This report punctures that argument:  
*GAO estimates that the median percentage of total potential EB-5 investment is 29 percent of the total estimated project cost, and the estimated mean percentage is 40 percent*. “

SOLVENCY

1. Wrong investments

EB-5 money isn’t invested in areas of unemployment. They’re just buying real estate in rich neighborhoods

WALL STREET JOURNAL 2016 (journalist Eliot Brown) 26 March 2016 U.S. Immigration Program for Foreign Investors Sees Demand Surge <http://www.wsj.com/articles/u-s-immigration-program-for-foreign-investors-sees-demand-surge-1458984601>

First created in 1990, EB-5 was barely used until the aftermath of the 2008 recession, when real-estate developers realized it offered a cheap and accessible form of financing when banks were reluctant to lend. The program has since become mainstream within the real-estate development world, particularly among high-end developers in New York, who recruit heavily in China. Users include Hudson Yards—the nation’s largest private development, in Manhattan, which is using more than $1 billion of EB-5 funds—and numerous high-end condominium towers. But these projects have come under fire because they are using a provision of the program meant to aid rural areas and urban neighborhoods with high unemployment—a stark contrast given that many sit on some of the most valuable real estate in the country.

No evidence of job creation: EB-5 money is going into already-rich neighborhoods

Bloomberg News 2016 (journalist Jesse Drucker) 6 March 2016 “Trump Tower Funded by Rich Chinese Who Invest Cash for Visas” <https://www.bloomberg.com/politics/articles/2016-03-07/trump-tower-financed-by-rich-chinese-who-invest-cash-for-visas>

The visa program was intended to create jobs in economically distressed areas but has often turned into a source of financing for high-profile developments in prosperous neighborhoods, such as Brooklyn’s Barclays Center and Manhattan’s Hudson Yards. Audrey Singer, a Brookings fellow, says data collected through the program makes it impossible to track how many jobs get created.

1. Fraud

EB-5 visas have fraud, and there’s no reliable way to verify

Bloomberg News 2016 (journalist Jesse Drucker) 6 March 2016 “Trump Tower Funded by Rich Chinese Who Invest Cash for Visas” <https://www.bloomberg.com/politics/articles/2016-03-07/trump-tower-financed-by-rich-chinese-who-invest-cash-for-visas>

The Government Accountability Office, the investigative branch of Congress, found last year in a general report about the EB-5 program that many applications contained a high risk of fraud, and discovered cases of counterfeit documentation. State Department officials told the GAO that there is “no reliable method to verify the source of the funds of petitioners.”

Impact: We shouldn’t do anything more with EB-5 until it is reformed to fix the problems

Bloomberg News 2016 (journalist Jesse Drucker) 6 March 2016 “Trump Tower Funded by Rich Chinese Who Invest Cash for Visas” <https://www.bloomberg.com/politics/articles/2016-03-07/trump-tower-financed-by-rich-chinese-who-invest-cash-for-visas>

Senator Charles Grassley, a Republican who is chairman of the judiciary committee, last month cited a memo from Homeland Security saying that EB-5 visa holders do not clear the same hurdles as other immigrants, like proof of education and work qualifications. Senator Patrick Leahy, a Vermont Democrat, said at the hearing that while he has supported EB-5 over the years, "If the program is to continue, it must be reformed."

A/T “Federal govt is shutting down bad regional centers” – Only after they let the frauds go on for years

David North 2016(Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor ) 30 Sept 2016 U.S. Attorney Indicts Yet Another Florida EB-5 Regional Center Operator <http://cis.org/north/us-attorney-indicts-yet-another-florida-eb-5-region-center-operator>

He was also charged, in a non-EB-5 portion of the 31-page indictment, with selling mobile home lots on a piece of land that was not zoned for this purpose, one of the older dodges in the Florida real estate business. The indictment is case number 3:16-cr-00122-TJC-MCR in the PACER system of electronic court records, and the scam will soon adorn the Center for Immigration Studies' [map of EB-5 fraud and folly](http://cis.org/EB5-Investor-Visa-Fraud-Map). There was a little open area in the northern part of Florida for another entry. Speaking of questionable regional centers, one of my well-informed informants has pointed out that on October 15, 2013, the Securities and Exchange Commission lowered the boom on another misbehaving center, the Velocity Regional Center in Pasadena, Calif., for running a $150 million Ponzi scheme. DHS, which licenses the regional centers, did not terminate Velocity until March 24 of this year, letting it run for another two and a half years.

A/T "Reforms fixed the problems" – Problems were reported in 2013 and 2015… then Congress renewed EB-5 in 2016 with NO REFORMS

[Howard Schweitzer](https://www.lexology.com/2207/author/Howard_Schweitzer/) and [Robert Freeman](https://www.lexology.com/2207/author/Robert_Freeman/) 2016 (attorneys with Cozen O'Connor law firm) 8 Feb 2016 "The Failures and Future of the EB-5 Regional Center Program: Can it be Fixed?" <https://www.lexology.com/library/detail.aspx?g=6c6d3ce7-0060-4fb7-9fe8-a9dcd8fa4b95>

In December 2013, the Department of Homeland Security (DHS) Office of Inspector General issued a report on the results of an investigation to determine whether the EB-5 regional center program is administered and managed effectively. The report’s major finding was that USCIS was in fact limited in its ability to prevent fraud or national security threats and could not adequately demonstrate that the program is improving the U.S. economy and creating jobs for U.S. citizens, as originally intended. Another report was issued in March 2015 in response to whistleblower allegations of improper influence and favoritism by then-USCIS Director Alejandro Mayorkas. The report concluded that, while not taking a position as to the legitimacy of Mr. Mayorkas’ actions, they did create a perception within the EB-5 program that certain individuals had special access and received special consideration. Several bills in Congress last session sought to reform and reauthorize the EB-5 Program by, among other provisions, increasing the level of capital investment, revising the definition of TEAs, and adding reporting and compliance requirements. However, despite what many in Congress see as a clear need for reform to prevent fraud and corruption, the EB-5 program was reauthorized in its current form under the fiscal year 2016 omnibus appropriations bill.

Repeated infractions by shady lawyers in the EB-5 business

David North 2016 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor ) SEC Goes After Rule-Breaking EB-5 Lawyers in Batches 29 Aug 2016 <http://cis.org/north/sec-goes-after-rule-breaking-eb-5-lawyers-batches>

There apparently are so many rule-breaking lawyers in the EB-5 business that the Securities and Exchange Commission (SEC) goes after them in batches. On August 24, SEC announced that it had penalized three of them, all for failing to secure a legally required license to sell securities, and said that the trio (who apparently operated separately from each other) had agreed to cough up a total of three-quarters of a million dollars. It is safe to assume that the three must have faced overwhelming evidence against them, otherwise they would not have paid the penalties. These were not ground-breaking cases, as we have provided many other examples of similar SEC citations in our [interactive map of EB-5 Fraud and Follies](http://cis.org/EB5-Investor-Visa-Fraud-Map).

1. Eighty-eight percent dropout rate

EB-5 has an 88% failure rate – they say they’re going to invest, get the visa, then they drop out and don’t invest

David North 2012 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) 4 Apr 2012 “USCIS Seems to Predict 88% Failure Rate in the EB-5 Investor Program” <http://cis.org/north/uscis-seems-predict-88-percent-failure-rate-eb-5-investor-program>

To return to the numbers, the agency reported in January that it had received 3,805 initial applications (I-526) for the program in fiscal year 2011, but predicts that they will receive only 441 of the follow-on (I-829) petitions a year in the future. That would suggest an 88 percent decline between the initial filing and the subsequent filing, which can take place as early as two years later. Now, historically there has always been a substantial drop-off between the initial filing of the I-plan-to-invest-half-a-million document, and the I-have-maintained-a-half-a-million-investment-for-two-years application filed later. But the drop has never been this sharp. Reasons include aliens not completing their investments, investments ruled to be either bogus or not in keeping with the rules, middle-men handling the investments found to be wanting (sometimes indicted), and the investors deciding that they do not really want to live in the United States after all. If any of these things occurred the I-526 would have been filed, but the I-829 would not be.

1. No job creation

The EB-5 requires the investor to kick in $500,000 and prove it will create at least 10 jobs. But that’s impossible…

David North 2016 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) 7 Dec 2016 EB-5 Extension Likely Until April; Plus, What's It Cost to Create a Job? <http://cis.org/north/eb-5-briefs-extension-likely-until-april-trump-costs-out-job-creation>

It is supposed to be a job creation program, with each $500,000 investment allegedly creating 10 jobs. That would be $50,000 each. Meanwhile, in introducing a Japanese multi-billionaire, Masayoshi Son, Trump said that Son had promised to [invest $50 billion](http://www.wsj.com/articles/donald-trump-says-softbank-pledges-to-invest-50-billion-in-u-s-1481053732) in the United States and that it would create 50,000 jobs. Unless my math is wrong, that means that each new job would cost $1 million. There's a 20:1 ratio here, and I suspect that Trump and Son are closer to reality than the out-of-date EB-5 law on what it takes to create a job. One of the many failings of the current EB-5 law is the way it allows estimation techniques on job creation to include both "induced" and "indirectly created" jobs to justify projects, thus supporting the otherwise minor job-creation achievements of the program. To suggest that $50,000 can create a continuing, full-time job in today's economy is a bit of folly that the EB-5 program has been nurturing for decades.

2 studies (DHS and Brookings/Rockefeller) found EB-5 creates little or no jobs

Peter Elkind and Marty Jones 2014. (journalists) FORTUNE "The dark, disturbing world of the visa-for-sale program" <http://fortune.com/2014/07/24/immigration-eb-5-visa-for-sale/>

Certainly, there are thriving, completed successes (see [“Five by EB-5”](http://fortune.com/2014/07/24/five-by-eb-5/)). An industry-funded study, using models and assorted economic-impact multipliers, claims that spending “associated with” EB-5 investors in 2012 contributed $3.4 billion to the U.S. economy and “supported” 42,000 jobs. Others who have examined the program view it very differently. They question whether it generates many jobs—especially in needy areas. A December 2013 study by the Department of Homeland Security’s inspector general found that the government “cannot demonstrate that the program is improving the U.S. economy and creating jobs for U.S. citizens.” A February 2014 paper by the Brookings-Rockefeller Project on State and Metropolitan Innovation concluded that “knowledge of the program’s true economic impact is elusive at best.”

No EB-5 job benefit: 1) the numbers are over-counted; 2) investments would have happened anyway without EB-5

Peter Elkind and Marty Jones 2014. (journalists) FORTUNE "The dark, disturbing world of the visa-for-sale program" <http://fortune.com/2014/07/24/immigration-eb-5-visa-for-sale/>

There are two reasons for that. First, the government is exceedingly generous in its employment tally. It gives EB-5 investors credit for all the jobs theoretically spawned by a project even when EB-5 money represents only a sliver of its financing. Second, for many mainstream ventures, EB-5 money isn’t really creating jobs—it’s merely saving developers money for projects that would be financed anyway. (Indeed, those big companies are actually “hijacking” money from worthy smaller investments in hard-hit areas, argues Michael Gibson, a financial adviser who vets EB-5 investments.)

5. Jobs Don't Last

Nobody's monitoring to find out whether the jobs and investment supposedly "created" are still around beyond 2 years

David North 2012 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) 28 Jan 2012 " The Immigrant Investor (EB-5) Visa A Program that Is, and Deserves to Be, Failing" <https://cis.org/Immigrant-Investor-EB5-Visa>

As to research, I heard, while attending one of the frequent “stakeholders’ meetings” conducted by USCIS on this subject, that the agency did not keep track of the private fees that were charged to the investors; “all we want to do is to make sure that the full investment is made in the project,” the staffer declared. I then asked, given the two-year stipulation as to the minimum length of the investment, “does USCIS have any idea what percentage of those two-year investments are still there, say, three or four years after they were made?” The answer was no, and there was no indication that the agency had any curiosity on the subject. The lack of internal research on the program was confirmed in a recent *Los Angeles Times* article, which stated: “The USCIS, by its own admission, has failed to closely track the flow of EB-5 money, how the projects are being sold to investors or whether the projects were successful. Instead, its focus has been on making sure jobs are created — but not that the jobs will last.”

6. Insignificant investment

The investment threshold is so low ($500K) that it can't have much impact on the US economy

David North 2012 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) 28 Jan 2012 " The Immigrant Investor (EB-5) Visa A Program that Is, and Deserves to Be, Failing" <https://cis.org/Immigrant-Investor-EB5-Visa>

Second, the sum of half a million dollars is not really an impressive amount of money when you compare it to the average (mean) net worth of American families generally. That figure in 2007 according to the Census was $556,300, with the median number, of course, being a lot less. Should we offer visas to aliens with money, *because they have money*, and then make that offer to families investing less than the mean net worth of American families? It’s like deliberately recruiting teenagers who are five feet, six inches tall to make the high school basketball team, on average, *taller*.

DISADVANTAGES

1. National Security Threat

Background: Be very suspicious. Ask yourself why China encourages their brightest and richest citizens to get EB-5 visas, take their money and leave the country

Shae Armstrong 2016 (Dallas attorney specializing in EB-5 immigration) Aug 2016 “HOW AN AMERICAN PAY-FOR-CITIZENSHIP IMMIGRATION PROGRAM POSES A NATIONAL SECURITY THREAT COMMUNIST CHINA: A CASE STUDY” <https://www.centerforsecuritypolicy.org/wp-content/uploads/2016/08/EB-5_Trojan_Horse.pdf> (brackets added)

In my article published by the *Center for Immigration Studies*, I encouraged the American public and government to ask: “Why does the People's Republic of China quietly warrant the exporting of over $3 billion a year into U.S. markets while taking with it China's most wealthy and competent citizens who seek to immigrate to the United States?” Keep in mind that the PRC bans its citizens from transferring more than $50,000 USD [U.S. dollars] abroad a year.

Link: China views conflict with the United States as inevitable. China is already implementing a “total war strategy”

Shae Armstrong 2016 (Dallas attorney specializing in EB-5 immigration) Aug 2016 “HOW AN AMERICAN PAY-FOR-CITIZENSHIP IMMIGRATION PROGRAM POSES A NATIONAL SECURITY THREAT COMMUNIST CHINA: A CASE STUDY” <https://www.centerforsecuritypolicy.org/wp-content/uploads/2016/08/EB-5_Trojan_Horse.pdf> (brackets and ellipse in original)

In response to the article, economic warfare expert Kevin Freeman points out that many in Chinese leadership view war with America to be inevitable. In an essay in the 2016 collection of essays entitled Warning Order: China Prepares for Conflict and Why We Must Do the Same, Mr. Freeman refers to Michael Pillsbury’s epiphany about China discussed in the latter’s book, The Hundred–Year Marathon. In it Mr. Pillsbury admits that, as a key influencer of China policy within the U.S. government for the last 40 years, he got it all wrong. Dr. Pillsbury notes that he was taught to view China “as a helpless victim of western imperialists,” and hence, that “assistance should be provided almost unquestionably.” He confesses, “[l]ooking back, it was painful that I was so gullible.” However, he now considers that view to be “the most systematic, significant and dangerous intelligence failure in American history.” He claims this came “as a result of intentional deception and misdirection” on the part of the Chinese.” Dr. Pillsbury concludes: “There can be no doubt that the Total War Strategy is being implemented. Its goal is to use all means whatsoever - to force the enemy to serve one’s own interests . . . The ultimate goal is to displace the United States as the world’s sole superpower.”

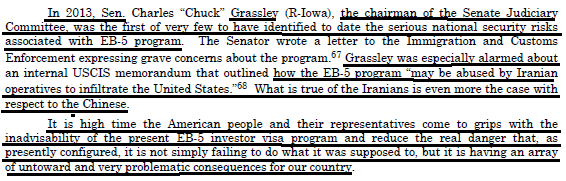
Link: EB-5 visas enable Chinese attacks on the United States

Shae Armstrong 2016 (Dallas attorney specializing in EB-5 immigration) Aug 2016 “HOW AN AMERICAN PAY-FOR-CITIZENSHIP IMMIGRATION PROGRAM POSES A NATIONAL SECURITY THREAT COMMUNIST CHINA: A CASE STUDY” <https://www.centerforsecuritypolicy.org/wp-content/uploads/2016/08/EB-5_Trojan_Horse.pdf> (brackets and ellipse in original)

Unfortunately, the EB-5 program lends itself to China’s application of at least ***5 of its 12*** *Unrestricted Warfare* lines of attack against the United States:   
Financial Warfare  
Bizarrely contrary to the PRC's strict policy governing the offshore capital flows, the PRC appears to turn a blind eye to American EB-5 project stakeholders soliciting investors on Chinese soil.

Impact: Negative net benefits. EB-5 fails to deliver any benefits and only causes harm to national security. We should be reducing it, not expanding it

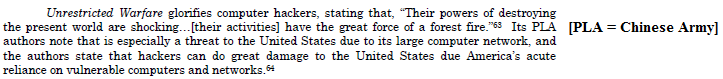
Shae Armstrong 2016 (Dallas attorney specializing in EB-5 immigration) Aug 2016 “HOW AN AMERICAN PAY-FOR-CITIZENSHIP IMMIGRATION PROGRAM POSES A NATIONAL SECURITY THREAT COMMUNIST CHINA: A CASE STUDY” <https://www.centerforsecuritypolicy.org/wp-content/uploads/2016/08/EB-5_Trojan_Horse.pdf>



1. Computer hacking

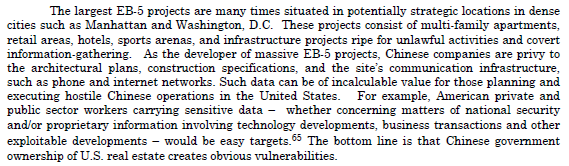
Link: China’s army intends to use cyber-attacks to damage the US

Shae Armstrong 2016 (Dallas attorney specializing in EB-5 immigration) Aug 2016 “HOW AN AMERICAN PAY-FOR-CITIZENSHIP IMMIGRATION PROGRAM POSES A NATIONAL SECURITY THREAT COMMUNIST CHINA: A CASE STUDY” <https://www.centerforsecuritypolicy.org/wp-content/uploads/2016/08/EB-5_Trojan_Horse.pdf> (margin brackets added; internal ellipses and brackets in original))



Link: EB-5 magnifies the Chinese cyber threat

Shae Armstrong 2016 (Dallas attorney specializing in EB-5 immigration) Aug 2016 “HOW AN AMERICAN PAY-FOR-CITIZENSHIP IMMIGRATION PROGRAM POSES A NATIONAL SECURITY THREAT COMMUNIST CHINA: A CASE STUDY” <https://www.centerforsecuritypolicy.org/wp-content/uploads/2016/08/EB-5_Trojan_Horse.pdf>



Impact 1: Massive job losses. Chinese industrial espionage costs the US 100,000 to 200,000 jobs

James Lewis 2014. (cyber security expert at the Center for International and Strategic Studies) 19 May 2014 The Obama administration has put China on notice — with indictments for cyber espionage <http://www.pri.org/stories/2014-05-19/obama-administration-has-put-china-notice-indictments-cyber-espionage>

I find that a really useful argument, because this kind of commercial espionage probably costs the US between 100,000 and 200,000 jobs. It's not that these people are out on the street, although that does happen. It means they go from a high paying job in manufacturing to a low paying job in some kind of service industry. This hurts our economy. China is not playing by the WTO rules. If China wants to be a major power and be a global economic leader, it has to play by the rules.

Impact 2: Economic damage through loss of technological innovation

The Commission on the Theft of American Intellectual Property 2013 (independent and bipartisan initiative of leading Americans from the private sector, public service in national security and foreign affairs, academe, and politics; co-chaired by Dennis C. Blair ,former Director of National Intelligence and Jon M. Huntsman, Jr. former Ambassador to China and Deputy U.S. Trade Representative) May 2013 “The IP Commission Report” published by the National Bureau of Asian Research <http://www.ipcommission.org/report/ip_commission_report_052213.pdf>

The scale of international theft of American intellectual property (IP) is unprecedented—hundreds of billions of dollars per year, on the order of the size of U.S. exports to Asia. The effects of this theft are twofold. The first is the tremendous loss of revenue and reward for those who made the inventions or who have purchased licenses to provide goods and services based on them, as well as of the jobs associated with those losses. American companies of all sizes are victimized. The second and even more pernicious effect is that illegal theft of intellectual property is undermining both the means and the incentive for entrepreneurs to innovate, which will slow the development of new inventions and industries that can further expand the world economy and continue to raise the prosperity and quality of life for everyone. Unless current trends are reversed, there is a risk of stifling innovation, with adverse consequences for both developed and still developing countries. The American response to date of hectoring governments and prosecuting individuals has been utterly inadequate to deal with the problem. China has been the principal focus of U.S. intellectual property rights (IPR) policy for many years. As its economy developed, China built a sophisticated body of law that includes IPR protection. It has a vibrant, although flawed, patent system. For a variety of historical reasons, however, as well as because of economic and commercial practices and official policies aimed to favor Chinese entities and spur economic growth and technological advancement, China is the world’s largest source of IP theft.

1. Defrauded investors

Impact 1: Immigrants harmed. Chinese immigrants are targeted and victimized by phony EB-5 investment schemes

David North 2016 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) One of the Offstage Problems of EB-5 — It Lets the Sharks Fleece the Naïve 28 July 2016 <http://cis.org/north/one-offstage-problems-eb-5-it-lets-sharks-fleece-naive>

Che and Zhengang Xhang then deposited $1,020,000 into an account that was supposed to create both a retail business and a set of EB-5 visas for them, only to discover much later that the very next day after the money was transferred it went on to an account managed by the mansion occupants who squandered it. The couple from Zibo City lost close to $1.5 million by the time they sued and have asserted that Chang routinely mishandled their business affairs, failed to tell them that they were being swindled, and bungled the EB-5 petition. So eventually they sued him and his law firm, making the claims outlined above. The naiveté of these would-be EB-5 investors is breathtaking — in another setting perhaps they could have been conned into putting a million into "Aaron Burr: the Musical" — but this is only one of a long series of similar stories (see [here](http://cis.org/north/eb-5-gets-another-black-eye-%E2%80%93-maybe-two-them) and [here](http://cis.org/north/would-you-buy-north-korean-used-car-eb-5-promoter)), all set in motion by the EB-5 program.

Impact 2: US businesses harmed. EB-5 fraud is so common, the State of Vermont has set up a program to help victims

David North 2016 (Fellow with Center for Immigration Studies, former Assistant for Farm Labor to the U.S. Secretary of Labor) Buying Visas and Creating an EB-5 Victims’ Assistance Program 18 July 2016 <http://cis.org/north/buying-visas-and-creating-eb-5-victims-assistance-program>

More than half a century later, FDR created unemployment compensation for workers losing their jobs because of a faltering economy. Now we have the State of Vermont, dealing with an admittedly much smaller problem, inventing EB-5 compensation (not that they use the term) to help corporations (and their workers) hurt by scandals in that program. In this case, it is a state-funded loan program for a contractor whose summer construction business has been threatened, if not worse, by the big [collapse of the EB-5 program](http://cis.org/north/dhs-silent-while-50-million-eb-5-funds-stolen-over-seven-years) in that state. As a [New Hampshire website](http://www.caledonianrecord.com/news/local/nek-contractor-hit-by-eb%E2%80%93mess-first-to-secure/article_81c790d3-d07d-5254-86d6-4e27e7dbd79e.html) reported, a northern Vermont contractor – whose name was not revealed by the state government – has secured a $500,000 loan to keep operating while a judge-appointed trustee sorts out the financial mess left by the EB-5 scammers.

4. Kleptocracy

Kleptocracy is the practice of government officials stealing money using their official position. Given the opportunity, these "kleptocrats" would flee the country to escape corruption investigations and live happily ever after with their fraudulently obtained riches.

EB-5 promotes kleptocracy by giving corrupt foreign officials an escape route to the US, and EB-5 makes it harder to detect the fraud

Ron Cheng 2017 (attorney with O'Melveny law firm; former federal prosecutor) " The EB-5 Program and China's Fugitives" 30 May 2017 <https://www.forbes.com/sites/roncheng/2017/05/30/the-eb-5-program-and-chinas-fugitives/2/#5ac0f2473b69>

The use of the EB-5 program here is another variation on immigration fraud that often makes up an integral part of kleptocratic behavior. In earlier cases, the immigration fraud vehicle might have been marriage fraud, through a U.S. citizen willing to take a payment to “marry” the fugitive.  With EB-5 as the vehicle, the difficulty of verifying the legitimate origin of the investment from overseas creates new challenges to detect the fraud.

EB-5 is used by Chinese fugitives to escape

CBS News 2017. " Chinese investors spent $24B on "golden visas" in U.S. and elsewhere" 12 May 2017 <https://www.cbsnews.com/news/golden-visas-chinese-investors-24-billion-in-u-s-and-elsewhere/>

 Her Republican counterpart, Sen. Charles Grassley of Iowa, has said EB-5 "poses significant national security risks" and "may be facilitating terrorist travel, economic espionage, money laundering and investment fraud." Federal investigators said in April they found that at least three Chinese investors who obtained green cards through the program were fugitives wanted by Beijing. And the U.S. Securities and Exchange Commission has opened more than a dozen civil cases since 2013 alleging fraud in projects involving around 2,000 investors and more than $1 billion in funds.

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