

Port-Vila, 26 August 2020

There's more than FDI: Seizing the telework opportunity

ABSTRACT

- COVID19 accelerated the rise of telework; many employers will keep remote work arrangements past the pandemic
- More and more “knowledge workers” from developed countries will become digital nomads, staying for long periods in warmer, prettier places as long as they have wi-fi
- Most countries don't have a specific visa for teleworkers; those have to use renewable tourism visas or sketchy workarounds
- Bermuda, Barbados, Estonia and Georgia recently introduced visas for digital nomads to make up for tourism revenue lost to COVID19
- Vanuatu is an attractive, safe, COVID-free destination for teleworkers but doesn't offer adequate visas
- Teleworkers would be a net profit for Vanuatu by spending foreign-earned money in local businesses just like tourists
- Their higher-than-average income would stimulate investment into Vanuatu real estate, transportation and other goods and services
- Their presence in our community would give our youth the opportunity to discover advanced skills and specialties, and inspire them to become knowledge workers too
- They could coach Ni-Vanuatu knowledge workers and entrepreneurs into success
- We can build a telework-friendly environment right now with these three measures:
 - Allow Digital Workers to get Permanent Residency Visas
 - Create a new short-term Business Visa on arrival
 - Allow International Companies to get Business Licenses exclusively for export
- Once these measures are implemented we can start market Vanuatu to teleworkers, diversify our revenue, and thus strengthen our economy for the long term

Port-Vila, 22 August 2020

There's more than FDI: Seizing the telework opportunity

FULL TEXT

The coronavirus has forced countless people around the world into full-time telework. But, for many knowledge workers who don't need face-to-face interaction, telework has become a choice whose popularity has been growing by leaps and bounds. And a number of them don't actually stay home – they move across time zones, looking for nicer climates in low-cost locales, settling for months on end wherever their hearts desire and Wi-Fi allows.

These location-independent workers, also called digital nomads, are roaming with their laptops from Bangkok to Lisbon, Ubud to Mexico City, Taipei to Belgrade. Their criteria for where to settle down are many: cost of living, safety, weather, local food, etc. The one thing that doesn't influence their choice is the location of their employer or, in the case of freelancers, their clients. As long as they can get online, they're good to go.

It's hard to say how many digital nomads there are out there. In the US, the annual State of Independence study by MBO Partners puts the figure at 7.3 million people in 2019, rising year after year. Many belong to the tech or creative industries, such as writers, programmers, designers and e-marketers. But anyone who doesn't need a physical presence to do their work is a candidate for this lifestyle. And the trend is expected to grow.

A catalyst for telework

With Covid-19 forcing employers around the world to keep employees home as much as possible, telework has never been so widespread. While this is assumed to be temporary, many employers from developed countries who had previously been slow to adopt telecommuting have finally made the investment in technology and the switch in management practices necessary to operate a "tele-workforce". And in those industries where telework is possible, "telecommuting will likely continue long after the pandemic", notes a report from the Brookings Institution (it also notes that teleworkers tend to be higher earners).

Large corporations in tech and finance have already announced that some of their employees can keep working from home past the current crisis, either full- or part-time. This will allow them to cut costs on expensive office space, while workers can locate further away from expensive urban cores. Even in notoriously traditional Japan, Fujitsu which will halve its office space and let employees work from wherever they want.

Another trend fuelling telework is the tightening of immigration rules in some countries where even skilled workers from developing countries have a hard time getting visas. In Post-Brexit UK for example, the erection of a frontier with Europe and the introduction of a points-based immigration system will force companies to hire foreigners remotely. Already 18% of the 3 million jobs in the UK tech sector are held by foreigners, without the need for them to set foot in the country.

Surely a good portion of these new hordes of remote workers will elect to travel to other places while on the job. If telework is on the rise, then digital nomadism is sure to follow.

Working in the grey

In many countries, digital nomads' only obstacle – besides spotty Wi-Fi – is their immigration status. Even those with a “powerful” passport often fall between categories. They're not tourists since they're staying; they're not workers since their output is not consumed locally; they're not investors since they're not injecting capital.

Many resort to sketchy workarounds and bureaucratic sleight of hand in order to keep working. Digital nomads in Thailand and Vietnam, for instance, are officially tourists and need to do a visa run every few months to keep their status. Some apply for a class to qualify as students; some pay a company to endorse them for a work visa without there ever being an actual job; others create a company whose sole function is to gain them accreditation as investors. In most cases, their immigration status is hardly conducive to the realities of telework, falls in a legal grey area at the mercy of the authorities, and costs them a lot of time and money.

Until recently, only a handful of immigration regimes have explicitly welcomed digital nomads, such as Germany's Freelance “Freiberufler” Visa (up to 3 years), the Czech Republic's Long Term Business Visa (1 year), Spain's Self-Employment Work Visa (1 year), or Mexico's Temporary Resident Visa (up to 4 years).

First mover advantage

During the pandemic, the sharp rise of telework has coincided with another trend: the sudden fall of international tourism. And this summer, some countries which depend heavily on the latter have been pivoting to better cater to the former, putting themselves in an advantageous position to profit from these virtually no-cost sources of foreign exchange.

- Since August 1, **Bermuda has** offered the Work from Bermuda Certificate program, adapted from an existing residency program. The online application involves an upfront cost of \$263 per person, with requirements including health insurance and proof of employment or enrolment in higher education, ensuring that a nomad has sufficient health insurance, or can afford to pay for a local care package. “No need to be trapped in your apartment in a densely populated city with

the accompanying restrictions and high risk of infection; come spend the year with us working or coding on the water”, Premier of Bermuda E. David Burt told digital nomads in a statement. The country has a stringent coronavirus testing regime and has successfully managed the pandemic so far.

- Since July 12, the **Barbados** Welcome Stamp grants a year-long span for visitors to work remotely on the island. Applicants must pay either £1,590 (US\$2000) per person, or £2,385 (US\$3000) per family, prove earnings of at least £39,760 (US\$50,000) per year, and have health insurance. There's also some national security vetting. “We recognize more people are working remotely, sometimes in very stressful conditions, with little option for vacation. Our new [visa] allows you to relocate and work from one of the world’s most beloved tourism destinations”, Prime Minister Mia Amor Mottley said in a statement.
- As of August 1, **Estonia** offers a Digital Nomad Visa that lets location-independent workers live in Estonia and legally work for their employer or their own company registered abroad. The Baltic country plans to issue around 2000 such visas annually to applicants who need to prove they can telework sufficiently to earn the monthly income threshold for living there, currently set at 3,504 euros, and have valid health insurance. The application fee only is 100 euros. All entrants are subject to a 14-day isolation period to help the country maintain its low Covid-19 infection rate.
- Starting September, **Georgia** will issue new remote worker visas for people to live and work there for up to one year. The online application is expected to ask for proof of employment and valid insurance, and all applicants must submit to a 14-day quarantine upon arrival – the Balkan country still shows a relatively low Covid-19 infection rate.

Fresh foreign income for Vanuatu

Until now Vanuatu has been very low on the list of destinations for global digital nomads (this website ranks Port Vila 1,170th with a score of 2.89/5 according to 199 reviews). The remoteness of the country is one explanation, as are its lagging Internet connectivity (until recently) and its lack of adequate visas.

But in the age of Covid-19, Vanuatu has a better shot at attracting the teleworking crowd. Our country is one of the few remaining places on Earth that have been spared by the pandemic, an attractive quality for remote workers in pandemic-embattled countries close to us like Australia. Those coming from further away, in Europe or East Asia, can also be tempted as other safe options are few and far between, especially if they’re looking for a tropical climate as winter encroaches in their hemisphere.

As for the Internet, connectivity has been greatly improved in recent years, putting Vanuatu on par with other tropical destinations. Our bandwidth in populated areas is high enough to perform most typical digital nomad jobs.

The issue of long-term visas remains an obstacle. As of today, the only persons eligible for a Residence Visa are 1) partners or children of Vanuatu citizens, 2) employees with a local work contract, 3) key investors in a local company that employs citizens, 4) self-funded residents or Vanuatu land lessee, who are forbidden to work.

The rise of digital nomads coupled with the pandemic gives us a unique chance to develop this new source of foreign currency. As a country dependent on foreign income, we should seize this opportunity with the same level of dedication which for decades we've put into attracting FDI.

Bringing the knowledge economy on our shores

Welcoming teleworkers can have a positive impact right away on the economic demand side, as these new people are consuming local goods and services, thus contributing to the health of Vanuatu businesses. Many of them are highly skilled and educated, with high incomes that can make them big spenders. They're not taking any job opportunities from the local market; they're purely bringing foreign cash into our economy.

As members of the global knowledge economy, teleworkers are also bringing in new kinds of expertise. Software engineers. Chief Technology Officers. Data Scientists. These and many other specialists are currently lacking in Vanuatu. They could inspire our youth by showing that such careers are viable options for the future, and help build local capacity and skills. Who knows? In a few years we could see a Ni-Vanuatu data architect get FDI for a promising tech start-up built right here.

We are currently in a unique position to offer digital nomads the beautiful, safe, COVID-free environment they're looking for. All the same characteristics that made Vanuatu a coveted tourism destination can also help us attract the workers of the knowledge economy.

The following are some propositions to do so.

Three ideas to make our move right now

Proposition 1: Open the Permanent Residency Visa to Digital Workers (freelance or employees)

Characteristics:

- 1 year Residency Visa
- renewable every year
- same price as normal residency visa: 57,600 Vatu/year

Main requirements:

- One of the following proofs of sufficient funds:
 - o permanent job overseas that pays above 4 million Vatu per year;
 - o income of more than 4 million Vatu during the past year as a freelancer or an employee;
 - o Liquid assets of more than 4 million Vatu.
- Proof of Health Insurance coverage

Target Market:

- Remote employees of foreign-based businesses
- Freelancers who typically work online

People with this type of Visa would be akin to long-term tourists. If we attract 1,000 of them for 52 weeks, they'll have the same impact on the economy as 52,000 tourists (1,000 x 52 weeks).

In order to unlock more positive impacts from them, we should encourage them to register as employers at the VNPF, and to hire local domestic help as well as digital workers to help them sell their services online.

Proposition 2: Create a new Business Visa on Arrival

Characteristics:

- 1-month visa
- Free on arrival

Target Market:

- Directors of International Companies
- People that spend a short time in Vanuatu doing business (eg. visiting clients, conference attendants, etc.)

This type of "corporate-tourist" visa would encourage people to come to Vanuatu to do short-term business. For example, it could be used for the participants of annual meetings of the Board of an International Company.

Proposition 3: Create a new Business License category called “International Company Export”

Characteristics:

- Strictly for exports (product or services), no local sales/revenue
- Small nominal license fee, for ex. 20,000 Vatu
- No VIPA approval needed

Target Market:

- International Companies (IC) registered with the VFSC who want to export products and services from Vanuatu

We should allow and encourage International Companies (IC) to operate from Vanuatu, with facilities and employees physically located here. At the moment they need to obtain approval from VIPA to do so, and they get rejected because they don't fit into the existing categories.

International Companies which are setting shop in Vanuatu in order to operate an export business should be exempt from VIPA approval, because they are not investing to operate a business within Vanuatu (i.e. selling to Vanuatu customers). They are strictly investing to export from Vanuatu.

The International Company Export licensees would be allowed to hire local employees, register at the VNPF, import skilled workers, and follow other rules like any local company. But they would be forbidden to offer their products or services in Vanuatu. This way they wouldn't compete with any local business operating here.

Not only would these companies create job opportunities for Ni-Vanuatu, they would be also able to hire Digital Visa holders, thus helping attract even more of those to our shores. They could also hold their annual Board meetings here by getting a Business Visa for their directors. You can see how our three propositions work perfectly together to bolster Vanuatu's place in the knowledge economy.

Attracting the best and the brightest

Once we agree on the terms to attract teleworkers, the next challenge will be to appropriately market Vanuatu to them. Right now we have a unique opportunity to attract some of the world's highest skilled people and stimulate true wealth creation for our developing nation. Our development is linked to our capacity to seize that opportunity.

Agriculture and Manufacturing are good, but they are only part of a modern economy. They only create low-paying jobs, and they need to be highly automated and mechanized to be efficient and lucrative.

The Knowledge Economy is the future, and it is where we should be heading.

Countries all over the world – rich countries – are all fighting to attract the highest performers, the best researchers, the smartest brains. They attract them with scholarships; with fully financed research teams and laboratories; with signing bonuses; with fast-track residency and work permits.

Closing down our labour market is destroying a lot of potential value for Vanuatu and is just making it harder for the private sector to invest and to foster the growth the country so desperately needs.

These proposed changes are much more than just opening up for more foreign income and investment; it's about propelling Vanuatu into the future by turning a great crisis into a great opportunity.