70% of Brazil's Capital Abroad Are in Fiscal Havens

Contributed by Newsroom
Thursday, 23 June 2005

Brazilian holdings overseas increased 14,6% in 2004 totalling 94,7 billion US dollars according to the latest report from the Brazilian Central Bank, which attributes the expansion to the greater internationalization of the country's economy.

But the figure, which in 2003 represented 10,8% of Brazil's GDP and 11,7% of GDP in 2004, has been mostly (70%) concentrated in fiscal havens such as Cayman islands, Bahamas and British Virgin Islands.

Other destinations include United States and Uruguay, reveals the bank report.

The Central Bank also revealed that total foreign investment in Brazil, according to the latest available data from September 2004, reached US$ 412 billion, while Brazil's assets overseas totalled US$ 143.4 billion with a negative balance of US$ 268,7 billion. This means Brazil is a net recipient of foreign investment.

However a report from the Financial Action Task Force on Money Laundering and distributed by the International Monetary Fund, criticizes Brazil for limiting local fiscal authorities activities.

The group specifically created in 1989 by the G7 to combat money laundering and terrorism financing, nevertheless recognizes advances in Brazil's financial legislation, the creation of the Assets Recovery and International Justice Cooperation Committee, COAF, and several specialized offices at federal level.

But the reports highlights that the "rigidity" of Brazil's banks secrecy laws and procedures remain as an "obstacle" for COAF.

Meantime and in spite of the political commotion over alleged corruption actions by President Luiz Inácio Lula da Silva's administration, the Brazilian government announced this week it had successfully fulfilled its capital needs for 2005 totalling US$ 6 billion with the floating of US$ 600 million in sovereign Global 2015 bonds at 7.732%, a few points below the previous operation last February at 7.9%.

Apparently some positive indicators had a greater influence than expected: Brazil's international risk rate currently stands at 409 points; inflation seems to be soft landing with growing chances of reaching the 5.1% government target for 2005; trade surplus is forecasted in 35 billion US dollars and last week the Central Bank after nine months of consecutive increases, left the basic SELIC interest rate unchanged at 19.75% with prospects of an easing of the tight money policy.

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