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Brazil: Record Capital Flight In 1989

by John Neagle

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In a recent interview with AP, Brazilian economist Clarice Pechman said a record $12 billion is expected to leave the country illegally in 1989. Pechman, a foreign exchange expert, said legal profit remittances are also on the increase, reflecting multinational subsidiaries' preference to send money elsewhere rather than re-invest in Brazil. Pechman estimated that $7.5 billion left the country illegally last year, compared with $5.8 billion for the entire 1978-1982 period. "That will bring to $41.1 billion the amount of foreign exchange illegally accumulated in overseas accounts," she said. Pechman said her figures are based on statistics from the World Bank, International Monetary Fund and conversations with many Brazil-based exporters. Central Bank officials say they have no estimates of capital flight. Joaquim Eloi Cirne de Toledo, economist at the University of Sao Paulo, said: "With hyperinflation just around the corner, a government that lacks any credibility, and all sorts of uncertainties surrounding the country's political and economic future, it is only natural that those who can will send their money out of the country." According to Toledo, the billions leaving the country "could be used to increase imports of capital goods and high-tech products needed to modernize our industry and make it more competitive on the world market."

Both economists said the most common illegal methods of getting dollars out of the country are via contraband especially of coffee and soybeans and by falsifying invoices for exports and imports. Most contraband operations are carried out through Paraguay, where the exporter sells goods for dollars. Exporters declare to the government trade bureau only a portion of the real value of goods sold, and deposit the difference in foreign bank accounts. Importers claim greater payments than actually occur, depositing the difference in dollars in accounts outside Brazil. (Basic data from AP, 07/30/89)

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