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Brazil exports illegal gold

Study by Instituto Escolhas shows that more than 19 tons of gold exported by Brazil lack any registration of origin or permits

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In 2020, Brazil exported 110.591 tons of gold, valued at US$ 4.9 billion, mainly to Canada, Switzerland, Poland, United Kingdom, United Arab Emirates, Italy, and India[1]. However, out of that total, 17% (or 19.123 tons) were illegal, since the production of that gold was not registered, nor linked to any mining permit, as shown by the initial results of a study carried out by Instituto Escolhas. Gold lacking registration or permits was exported mainly by Southeastern states, such as Minas Gerais and São Paulo.

Although exports reached 111 tons, the study's calculations show that, in 2020, Brazil produced only 91.953 tons of gold. In other words, 18.638 tons of gold were not accounted for in any production record. In addition, among the registered production, 485 kg from two states – 273 kg from Mato Grosso 212 kg from Pará – were extracted without permits[2]. Thus, 19.123 tons of exported gold lacked known origin or mining permits, and were therefore illegal.

The study shows that illegal gold was exported mainly by the states of Minas Gerais, São Paulo, Amazonas, the Federal District, and Goiás. This is because these states either did not produce a single gram of gold or exported much more than their production[3], which suggests that they are exporting unregistered gold or gold that was mined in other states, such as those in the Amazon region.

To reach this conclusion, the study analyzed the production and exports of gold in each state. A clear pattern was identified:

[1] According to Comex Stat data, countries presented from largest to smallest importer considering imported volumes in tons.

[2] Estimated gold production based on 2020 Financial Contribution for Exploration of Mineral Resources (CFEM) data. The analysis found 160 records without a linked mining process. They were considered illegal. These records add up to 485 kg of gold, 273 kg from Mato Grosso and 212 kg from Pará. More details on the methodology section.

[3] Other states that fall into this category are Rio de Janeiro, Bahia, Paraná, Santa Catarina, and Rio Grande do Sul, but with a lower surplus value in tons.

states in the Amazon produced much more gold than they exported, and states in other regions, mainly in the Southeast, exported much more gold than they produced. That is, the surplus exports of the latter include illegal gold, produced without registration of origin or without mining permits, in addition to part of the gold produced in the Amazon, which potentially can also be linked to illegalities and serious impacts on the environment and indigenous peoples, as the shown in the full version of the study.

According to the analysis, in 2020, several states of the Amazon – Pará, Mato Grosso, Rondônia, Amapá, Maranhão, and Tocantins – produced a total of 46.007 tons of gold, including 485 kg (1%) considered to be illegal, since they were not linked to mining permits. These states exported 22.785 tons (50%). An additional 23.222 tons (50%) were therefore sold by other regions[4].

The other states produced a total of 45.946 tons but exported 87.806 tons[5]. In other words, almost double what they produced, with a surplus of 41.860 tons, which includes the 23.222 tons produced in the Amazon – of which 485 kg are considered illegal – in addition to the other 18.638 tons, which were also illegal, since they lacked any record of origin or production.

São Paulo, the second Brazilian state that exported the most gold, lacks mining permits or registered production. Therefore, 100% of exports were contaminated by gold with no registration of origin and no mining permits. The imports of countries that bought from São Paulo, such as Canada, India, Switzerland, and Belgium, are exposed to the risk of illegality

SÃO PAULO, THE SECOND BRAZILIAN STATE THAT EXPORTED THE MOST GOLD, LACKS MINING PERMITS OR REGISTERED PRODUCTION. THEREFORE, 100% OF EXPORTS WERE CONTAMINATED BY GOLD WITH NO REGISTRATION OF ORIGIN AND NO MINING PERMITS. THE IMPORTS OF COUNTRIES THAT BOUGHT FROM SÃO PAULO, SUCH AS CANADA, INDIA, SWITZERLAND, AND BELGIUM, ARE EXPOSED TO THE RISK OF ILLEGALITY

Minas Gerais, the Brazilian state that produced and exported the most gold, is also not free from contamination, since 37% of its exports were not produced in the state itself. And importers such as Canada, Poland, the United Kingdom, and Switzerland are exposed to this risk.

It is worth noting that, since illegal exports – that is, without registration of origin or mining permits – add up to 19.123 tons, São Paulo and Minas Gerais are the only states with a volume of surplus exports (that is, greater than their production) capable of absorbing this illegal gold[6].

[4] This also includes Pernambuco, which produced 1 kg of gold and did not register exports. It is the only state with a production surplus that is not located in the Amazon, which is why it was included with the others.

[5] This also includes Amazonas, the only state in the Amazon region that exports more gold than it produces.

[6] Even if the other states that export more gold than they produce are trading gold without origin or without titles, the volume is greater than the surplus in these states and must be absorbed by São Paulo and Minas Gerais.

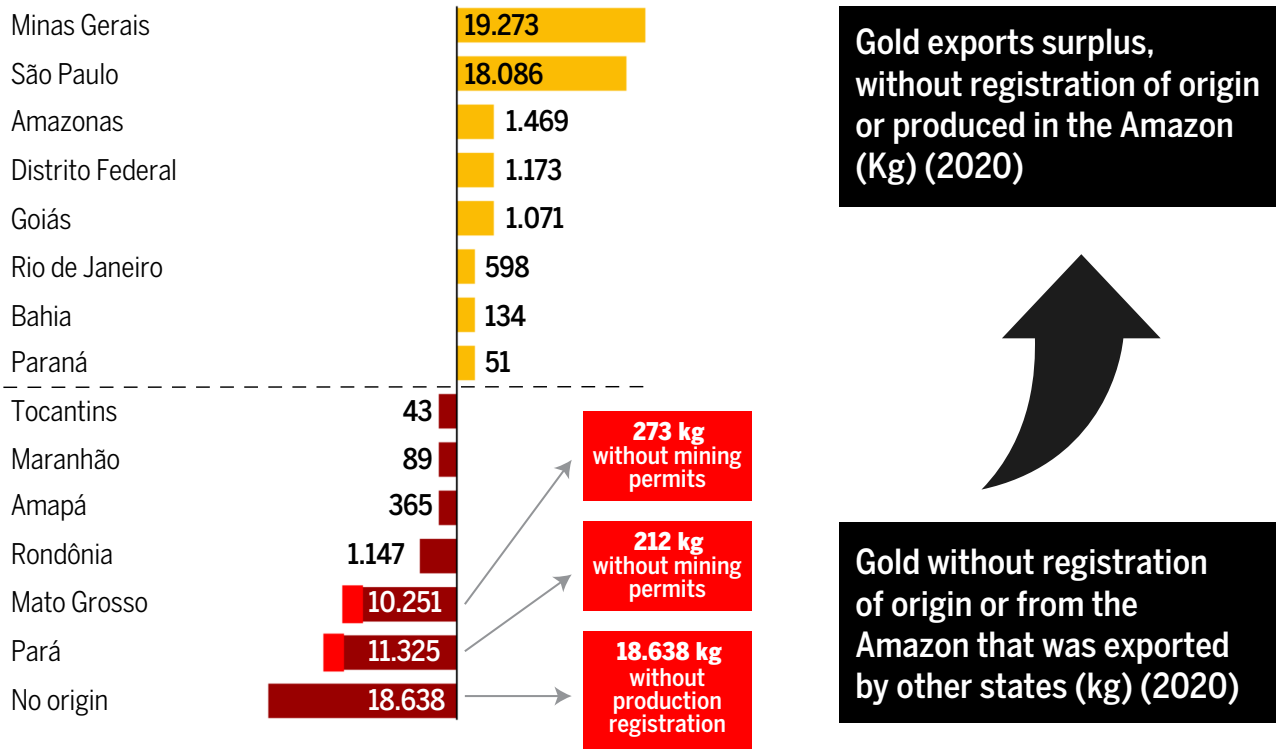
These results mean that, for countries that bought gold from Brazilian states with export surpluses, their trade is contaminated by illegal gold, in addition to the gold produced in the Amazon.

Importing countries should demand that Brazil implement systems to control the legality of these exports, since that is the only way they can cease to be complicit in the destruction of the Amazon rainforest. For instance, gold is the main Brazilian item on the Swiss import list, which is why demands must be made: because there is high exposure to illegality.

THE ANALYSIS CONFIRMS THAT ILLEGAL GOLD IS BEING EXPORTED IN LARGE QUANTITIES. THUS, THERE IS AN URGENT NEED TO ADOPT A TRACEABILITY SYSTEM FOR GOLD, WITHOUT WHICH IT WILL NOT BE POSSIBLE TO PROVE WHETHER IT WAS LEGALLY PRODUCED OR WHETHER IT COMES FROM INDIGENOUS LANDS AND CONSERVATION UNITS IN THE AMAZON

There are already initiatives that could be prioritized, such as Bill 836/2021, which is currently under discussion by the Brazilian Senate, and which provides the basis for more effective control of the sale of gold.

In 2020, some states exported surpluses contaminated with illegal gold or gold from the Amazon



Source: By the authors. Note: Together, the states of Santa Catarina and Rio Grande do Sul also exported 4 kg of surplus gold. The state of Pernambuco also produced 1 kg of gold that is part of the surplus exported by other states.

States with exports contaminated by illegal gold or from the Amazon (2020)

State	Gold exported without registration of origin or gold from the Amazon (kg)	Total gold exports by state (kg)	% of contamination of exports	Destination countries
Minas Gerais	19.273	51.739	37%	South Africa, Belgium, Canada, UAE, USA, Hong Kong, Italy, Poland, United Kingdom, Switzerland
São Paulo	18.086	18.086	100%	Belgium, Canada, UAE, USA, Hong Kong, India, Israel, Italy, Peru, Portugal, United Kingdom, Switzerland, Czech Republic
Amazonas	1.469	1.559	94%	Germany, Belgium, UAE, USA, Hong Kong, India, Italy, United Kingdom, Switzerland
Distrito Federal	1.173	1.173	100%	UAE, India, Israel, Italy, Switzerland, Turkey
Goiás	1.071	6.220	17%	South Africa, Belgium, Canada, UAE, USA, India, Israel, Italy, United Kingdom, Switzerland, Turkey
Rio de Janeiro	598	598	100%	Belgium, Canada, UAE, USA, India, Israel, Italy, Switzerland, Taiwan, Turkey
Bahia	134	8.055	2%	Belgium, Canada, Switzerland
Others (PR, SC, RS)	55	376	15%	Belgium, Canada, UAE, Hong Kong, Italy, Turkey
Total	**41.860**	**87.806**		

Source: by the authors.

Methodology

To analyze gold exports by state in 2020, data were extracted from Comex Stat, the official portal for Brazilian foreign trade statistics[7]. Total gold exports, added up within code 9710 of the Uniform Classification for International Trade (Classificação Uniforme para o Comércio Internacional - CUCI), were considered.

In order to analyze gold production by state in 2020, the volume produced was estimated based on data on the collection of the Financial Contribution for the Exploitation of Mineral Resources (Contribuição Financeira pela Exploração de Recursos Minerais - CFEM), provided by the National Mining Agency (Agência Nacional de Mineração - ANM). For this, the same methodology applied by Manzolli et al, 2021 was used[8].

This approach was taken because the estimated gold production based on the CFEM is greater than that recorded in the Brazilian Mineral Yearbook, so the analysis following this path is more conservative[9]. In addition, the CFEM database contains the numbers of the mining processes to which the collection is linked. With this information, it was possible to locate 160 records of collection originating in Pará and Mato Grosso that were not linked to mining permits. These 160 records totaled an estimated volume of 485 kg of gold and were considered illegal[10].

[7] Available at: http://comexstat.mdic.gov.br/pt/home

[8] Manzolli, B. et al, 2021. Legalidade da Produção de Ouro no Brasil. ["Legality of Gold Production in Brazil]. Belo Horizonte: Publisher IGC/UFMG. Available at: <http://www.lagesa.org/wp-content/uploads/documents/Manzolli_Rajao_21_Ilegalidade%20chain%20do%20Ouro.pdf>.

[9] According to the Brazilian Mineral Yearbook of 2021 - base year 2020 - the processed and commercialized production of gold reached 81.573 kg, of which 62.095 kg were mining concessions and 19.478 kg from mining permits. According to the estimates produced by this study, calculated based on the collection of the CFEM, production in 2020 reached 91.953 kg.

[10] Among the CFEM collection records, 57 did not have information about the state and municipality, but they had a linked mining process and the consultation of the processes allowed us to identify the origin of the gold that was sold.

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