



The International Man on How, Where, and Why to Diversify

Guest: Nick Giambruno

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WOODS: There are a lot of topics that come to mind when a guy like you is here. There are people who I sometimes hear about who want to leave the United States and go somewhere else, and people want to know: where is the best place to go? But with you, a better question is not where should I go, but staying here in the U.S., where should my investments go? Where should my assets go? Where should my income streams come from? Where should I look for opportunities? Those are the questions that I want to talk to you about. What would be the reason that the average person, though, should care about this? Why isn't this an issue that only a multimillionaire should be concerned with?

GIAMBRUNO: Yeah, no, that's totally true, but you hit an important point right on the head in that you don't necessarily need to leave your home country to achieve diversification. You can do a lot of things from your living room, in fact. But the reason why the average person—and not just Americans; basically anybody in the world—would want to be internationally diversified is that it frees you from the total control and total dependency on any particular government or nation-state. And in that sense, it's two things. One, it's an insurance policy against an out-of-control government, and two, it opens up a whole new horizon of investment opportunities, opportunities to work, opportunities to live. So it's both defensive and offensive at the same time.

WOODS: It seems that this would require a lot of knowledge on the part of the individual. Any investment requires some knowledge; you can't just outsource this to people, I think. You really have to do your due diligence. But I would think even more so when you're talking about getting involved in other countries. It seems like an overwhelming learning curve, so overwhelming that you wouldn't even bother doing it. How do you get started?

GIAMBRUNO: Well, to get started, you have to separate the different components of your life and understand that it's possible to take these different components and put them in jurisdictions that are optimal. A a lot of times it doesn't even require you to leave your living room. So, for example, you look at the different components of your life. The biggest one is

your savings, in most cases, or your assets. There are ways that you can open a bank account in a different country without having to leave your living room, and there are certain jurisdictions where the banking systems and the banks are generally much, much sounder and much more conservatively run. They don't gamble with their customers' deposits on mortgage-backed securities, and they are not leveraged to the hilt, for example. Hong Kong and Singapore come to mind as some of the best banking jurisdictions. Switzerland is, of course, a good banking jurisdiction too, but it's largely off limits to Americans who have fewer assets to invest. But, okay, so you have the different components. Assets is a big component. Your citizenship is another component. Your income stream and your business is another component. Your digital presence—your email, your business website server, and so forth—is another component. And you just take these different components, and you put them in the countries where it makes the most sense to put them in, and in that way, you can really reduce your political risk, which is to say the risk that comes from the bureaucrats in your home country.

WOODS: When you say you should put them in the countries it makes most sense to put them in, well, that really is the key question, isn't it? How would somebody know where the best places are?

GIAMBRUNO: Yeah, well, that's what we do on internationalman.com is we focus on, you know, the best places to put these different components. For example, with your digital presence, there are a number of countries that have real privacy laws and are not very litigious societies. Switzerland, Iceland, and Norway, for example, are excellent locations to put your website server, to have a domain name, to have your email account. And if you use these things in conjunction with encryption, you can really achieve the most privacy that is possible in this day and age.

WOODS: What about this whole issue of tax havens? Wasn't there something recently about the Swiss banks? Everybody knows the Swiss bank is where you go to put stuff, and then recently didn't Switzerland cave in some way on all that in terms of what other governments could demand of it?

GIAMBRUNO: Yeah, it's kind of a sad story in a sense that Switzerland had its back broken in terms of its banking privacy, which, you know, shouldn't be a bad thing. People look at it as a bad, not people, I would say big government advocates, look at financial privacy as a bad thing. It's not that different from your health privacy. Why would you want governments sharing your health records back and forth between each other? You probably wouldn't. But that being said, yes, financial privacy for Americans is pretty much dead. Don't assume that you can obtain it because it doesn't exist anymore, and it doesn't exist anymore because of things like the Foreign Account Tax Compliance Act, which is this law that was stuck into a larger bill that was passed a few years ago. What that essentially does is require every foreign financial institution in the entire world—now this is one of the most egregious pieces of legislation that's come out in recent times—not just banks, but insurance companies, mutual funds, and so forth to collect data on their American clients and submit it to the IRS. And if they don't, they get cut out of the

U.S. dollar-based financial system, and as the dollar is still the world's reserve currency, most global institutions and financial institutions aren't willing to take that risk. So what that means is that Americans don't have any financial privacy anymore. And that being said, the rest of the world is not far behind, because the bureaucrats at the OACD have seen what the U.S. has done with FATCA and are emboldened and are sort of trying to make a global version of FATCA, which has been nicknamed GATCA, which will do to the rest of world's financial privacy—and that is to destroy it—what FATCA did to American financial privacy.

WOODS: All right, so where you might want to be digitally based might not be the same place that you want to put assets and make investments and so on. So there are a lot of considerations here, and there are a lot of different countries to choose from. I would tend to think, given the rapid changes that we see in the world in terms of countries liberalizing their economies, countries you wouldn't have been caught dead in 50 years ago are now really taking off, that this list of desirable countries to diversify into is very fluid and has been changing. Is that right?

GIAMBRUNO: Yes, it is, and that's why we have this International Man website. Let me just back up a second. The website was based on Doug Casey's bestselling book of the same name which was published in the late 1970s. That was obviously before the Internet. So that book is out of date. But we've taken the mission and the objective of that book and put it into a website where it's much easier to update with the most up-to-date information that is possible.

Just to go back on step real quick on the financial privacy issue. Just because financial privacy is dead, that doesn't mean there aren't sound reasons to put your savings in different banks. For example, you can take your savings and put it into a—like I mentioned before, in Singapore and Hong Kong where their banking systems are much more sound, more conservatively run, and you also take your savings, and you put it out of the direct reach of your home government. That's a very important thing to do because it puts a significant hurdle in the way of accessing those funds. So for example, in Cyprus, they had their bail-in and people just woke up to a surprise on an ordinary Saturday morning to find it was essentially a banking holiday, and they were going to have a bail-in, which is a deposit tax. They were pretty much screwed, but some of the—Doug Casey and I actually went to Cyprus after their financial crisis, and we met with a bunch of savvy Cypriots who saw their country—the direction it was going in—and decided maybe Cyprus isn't the best place to keep my savings and had moved their savings abroad and were thus spared the effects of the bail-in and the capital controls that followed. So those reasons are also why you'd want to consider banking outside of your home country, despite the fact that there is no financial privacy.

WOODS: Now, banking is one thing; investing is another. When I had Doug Casey on this show I guess about a year ago now, he was saying that if you want real opportunities for substantial returns, then maybe you don't look to the United States in terms of where you want to put your money. He's saying that in some of these developing countries, there are huge profit opportunities, but yet you'd have to be a Doug Casey, a world traveler to be able to be on top

of that. It seems so remote from the typical investor, but on the other hand, maybe that's why the typical investor is lucky just to keep his head above water, and Doug Casey is Doug Casey.

GIAMBRUNO: Yeah, well, there's certainly an element of truth to that, and one of the things that Doug and I do is we go around, and we look—one of Doug's other famous books is *Crisis Investing*. We look at countries where there is blood in the streets and that nobody else wants to invest in because that is really the optimal time to buy is at the point of maximum pessimism. So Doug and I look at countries all around the world and look for crisis-driven bargains. We've looked at Russia lately. We've been looking at Iran. Iran actually has a very interesting stock market, a dynamic stock market. Of course, it's off limits to American investors right now because of sanctions, but should there be some of sort of agreement in the future, that would open up, and it would be a very interesting investment opportunity. So we look at markets that really no other investor wants to look at, and that's where you can sometimes find huge potential for returns.

WOODS: Now, you, as we said from the beginning, are not primarily talking about expatriation, although there are people who do that, but you are talking about diversification. At the same time, would that involve getting citizenship in another country, or do you want to go short of having citizenship in another country?

GIAMBRUNO: No, certainly it involves that. You definitely want to have as many passports as you can get your hands on, and it's not easy to get a citizenship or second passport in another country. The reason you want to do that is because the more you have, the more options you have, and the more diluted the power of your home government, because it shows that you have options. Like I mentioned, it's not easy to get a second citizenship or second passport, but that doesn't negate the need to do it. I have Italian ancestry, and I was able to go back through my great-grandfather, and because of that link, I was able to obtain Italian citizenship. Now, a couple of other countries do this, notably Ireland, Spain, and some other European countries where you can get citizenship by ancestry, and that is, on a relative basis, the easiest way to get citizenship in another country.

WOODS: I'll bet there are countries we would not typically think about when we think, I'd like to do X in this country, or I'd like to open up a bank account in that country, or I'd like to do this and that. There are probably some countries we've come to associate with things like this. But I'd bet you and Doug Casey could name for me some countries that are desirable to be in, in one form or another, that would never have occurred to me or to my listeners.

GIAMBRUNO: I think one of those countries might be Argentina. I was just in Argentina earlier this month—last month, I should say. Now it's December. But Argentina is one of those places. It's a place where most people think of crazy economic policies and out-of-control governments.

WOODS: I want you to make the case here because I know Doug has lived in Argentina, and I just can't understand this—as upset as I am about the U.S., ain't no way I'm leaving the U.S. for

Argentina or I am going to have anything to do with Argentina. But I would love to be persuaded otherwise.

GIAMBRUNO: Oh, sure, and it's actually a very logical case. Yes, the government is crazy and out of control in Argentina. Nobody denies this. But the crucial difference between the Argentine government and the U.S. government is the Argentine government is completely inept and ineffective. Nobody respects it. Like the U.S., they have a whole bunch of laws on the books, but nobody really follows them, to be honest, and it's much freer because of that because the government is so inept. The government's focus is mainly in Buenos Aires, and if you're in Buenos Aires, yeah, you're going to be affected by that to some degree, but when you get outside of Buenos Aires, like where Doug is, you won't be bothered at all by the Argentine federal government.

The reason you'd want to go to Argentina is because the cost of living is extremely low, and you can have a high-quality lifestyle. I think of Argentina because Argentina is composed mainly of Italian and Spanish immigrants. It's not culturally like Brazil or culturally like Peru or other, you know, more Latin, South American countries. It is distinctly a European country, and it feels like it. But it's also extremely cheap because of the government's stupidity, namely their capital controls where they decree that the Argentine peso is worth this amount of dollars, and we don't care what the market value is. That creates an opportunity for people who don't have all of their savings tied up in Argentine pesos to come into Argentina with their hard currency and get a very favorable exchange rate that allows them to live a very high-quality lifestyle for a very low cost.

WOODS: I can see the argument that the government is inept, and people don't listen to it, and there is a lot of freedom in terms of commercial activity. On the other hand, I would be worried that at any moment my property could be nationalized. Is that not a real concern?

GIAMBRUNO: Not really. Doug has his development in La Estancia de Cafayate. It's a resort that's he's been building for many years now, and they've never had any sort of issue or worry about that, and the government's gone through some pretty crazy measures. So I've been there. I've seen it. They haven't been bothered. Is it a possibility? Of course it's a possibility, but so far they haven't done that because they also want to encourage visitors and tourists to come and foreigners to invest. So I think that would not be high on their list on priorities to do. But yeah, sure, it's a possibility. But yeah, so that's the main reason why you'd want to look at Argentina is because there's that perception arbitrage. People look at it, and they think it's crazy, and they don't want to go there, but that creates an opportunity for people who really go and see what it's like on the ground to really benefit from it. Because if everybody knew that it was a good opportunity, it wouldn't be as good of an opportunity.

WOODS: I think the general consensus, if there is one in the U.S., about people who follow the kinds of strategies that you're recommending is that, well, this is pleasantly eccentric, but basically harmless. But if a business firm tries to do it, if a business firm tries to limit the

taxation it's exposed to by trying to diversify itself internationally, well, then we never hear the end of how terrible that is.

Tell us about what a corporate inversion is and what all the griping is about it.

GIAMBRUNO: Yeah, really this is just ridiculous. If you look past the demagoguery, it's quite clearly that, you know, all of this noise is just propaganda coming from proponents of big government. A corporate inversion: you have to understand one thing about U.S. corporate and U.S. personal tax rate. It's amongst the most uncompetitive tax system in the world when it comes to personal and corporate tax issues. Specifically for corporations, the U.S. has the highest corporate tax rate in the developed world, and they also tax the foreign earnings of subsidiaries when it's repatriated to the U.S. No other country really does this in the developed world. So for example, Burger King has a Burger King in the U.K., and it generates profits there, and then it sends the profits taxed in the U.K. because it's based in the U.K., but then it sends those profits back to the U.S. if it's subject to another layer of taxation there. No other country does that.

So if it was a U.K. company that had a restaurant in the United States, yeah, it'd be taxed in the United States, but then it wouldn't be taxed again by the U.K. So the U.S. corporations have two really unique burdens that no other corporations in the developed world do, and that is the highest effective corporate tax rate, and this worldwide taxation on foreign subsidiaries. So because of these two reasons, the U.S. tax code is really uncompetitive, and this is driving companies to find ways to diversify and become more globally competitive because if all of their profits are being eaten up by tax, they are not going to be as competitive as companies in other countries. So what they'll do is they'll typically merge with the foreign company, and they will become re-domiciled in that foreign country, and what's going to happen is that they're still going to get taxed on all of the activities they have in the United States. That's not going to change, but they are not going to get that double taxation that's exclusive to the United States when they become a foreign company for their foreign subsidiaries. So that's one of the main reasons why they would look to do that.

WOODS: Nick, Peter Schiff has been talking up Puerto Rico because of, I guess, tax reasons. Can you say something about Puerto Rico and what the attraction would be there?

GIAMBRUNO: Oh, sure, yeah, Puerto Rico. Peter and our organization, Casey Research, actually just put out a free documentary video on this. You can get that on the International Man site. The reason Puerto Rico is so interesting is because it is really the only place in the world that an American citizen can go to get certain tax benefits short of renouncing their U.S. citizenship. Puerto Rico has a unique status. It's not a state, and it's not a foreign country. It's a territory. It's a commonwealth of the United States. And because the U.S. has the system of global taxation of its citizens—so for example, an American citizen and a Canadian citizen decided, hey, I'm going to go live in the Cayman Islands and work in the Cayman Islands where there is no income tax, well, the Canadian citizen would have no income tax because Canada doesn't

tax its non-residents on their global income. The U.S., on the other hand, does, and it's really the only country in the world that does. So no matter where an American citizen goes, even if that American never steps foot in the U.S. ever again, they still have to pay taxes on their global income. We've seen this lately with the mayor of London. The mayor of London was born in New York City and moved to the U.K. at the age of 5, and now the IRS is hounding him on taxes, and he's never come back to the U.S.—has no connection, really, to the U.S. And he's being hounded for taxes just by virtue of where he was born. So that's a unique burden that the U.S. places on its citizens.

Now, like I said, there's only really two ways to get out of this burden. Either renounce your U.S. citizenship, or now you can move to Puerto Rico because Puerto Rico has this unique status as a U.S. commonwealth whereby when you move to Puerto Rico, and you become a resident of Puerto Rico, you are now under the jurisdiction of the Puerto Rican tax authorities and not the U.S. federal tax authorities or the IRS, so long as all of your activities remain in Puerto Rico. And because of the way the law works, Puerto Rico has incentivized mainland Americans and other foreigners to come to Puerto Rico through low-tax contracts. So you could essentially go to Puerto Rico and eliminate taxation on your investment income, and if you run a certain type of business, like a service business, an asset management business, a radio podcast business—you can go there as long as it's a service that's performed in Puerto Rico for clients outside of Puerto Rico, your corporate tax rate is reduced to 4%—as compared to 45+ percent on the mainland. So these are very significant benefits if you can meet the criteria of those incentives, which a small fraction of people can. Not everybody can, but if you can, these are really substantial benefits. Two of my colleagues have actually moved to Puerto Rico because of these benefits, and Peter has moved one of his businesses there and plans to move himself there at some point in the future.

WOODS: Nick, this would be a reason to oppose statehood for Puerto Rico, right? Because of course, it would mean a reduction in freedom, wouldn't it? They would come under U.S. jurisdiction.

GIAMBRUNO: Yeah, certainly, oh, no, that is one of probably one of the only ways that these tax incentives will go away, is if Puerto Rico became the 51st state, but that's not very likely to happen.

WOODS: No, if it hasn't happened yet, and there's no real push for it, but that is interesting that there is actually a freedom-based argument for staying out of the empire, as if we didn't have that instinct already. Here we have a clear-cut example.

Nick, what's your background that you would wind up working for Doug Casey and being senior editor at International Man?

GIAMBRUNO: I used to live and work in Beirut, Lebanon, and that's actually where I first met Doug. I'd been reading Doug's works for many years, and then I ended up in Lebanon because I was working at an investment bank there, basically researching stocks that trade in the Middle

East. I've always been passionate about the Middle East since a young age, and Beirut was a place that I studied in university, and I really fell in love with the place. So I decided to work there. Anyway, one day Doug put out in his email that he was going to be traveling to Beirut, and if any of his readers wanted to grab a cup of coffee or something, to let him know. So I replied to that email, and Doug and I met up, and eventually that led to me taking on this position.

WOODS: Well, I am over at InternationalMan.com right now. I don't think I've been here before. I knew about it, but I don't think I've been here before. I was about to say, well, do you have a guide for people who want to do some of these things, want to pursue some of these strategies, and here you have tabs on everything we've talked about and then some, all these sorts of topics, and of course, there is an opt-in here for a newsletter. I know people think, "I get too much email already," but it's valuable to get stuff from Doug Casey and from people Doug Casey trusts because for one thing, Casey is not giving you advice that he doesn't himself follow. He's telling you exactly what he has done to become the incredible success that he is. So I am glad to be on the Casey Research's list, and I am glad to be getting some of this stuff. So I would urge people to check out InternationalMan.com. Is there any further plug you'd like to make? Because I have no problem with that.

GIAMBRUNO: No, I think you covered it pretty well. If people are interested in learning more about the Puerto Rico stuff, really, Peter Schiff and our organization have done a lot of research on that, and if you just go to the International Man site and click on Puerto Rico, you'll find the video.

WOODS: Well, Nick, it's been fun talking to you. Given the way the world is, it seems like there would always be something to talk to you about. So I hope you will consent to be in my regular roster. We'll come back to you from time to time, and thanks for being here today.

GIAMBRUNO: Yeah, that would be great, Tom. Thanks for having me on your show.