

INTERNATIONAL BOOM

BY SHAUN BEVAN

South Florida has held the title of gateway to Latin America for some time and, as the economy continues to recover, local business and community leaders are focused on creating a better foundation to attract and retain future leaders.

At the *Business Journal's* recent Critical Conversations event, panelists discussed strategies to draw international business, capital and people from Latin America, and the development of and competition among South Florida's ports.

Critical Conversations is the *Business Journal's* ongoing series examining key issues in business. Former reporter Oscar Pedro Musibay moderated the discussion, which took place at The Bankers Club of Miami. The following has been edited for clarity and brevity:

Q: In some cities, businesses tax themselves to create a marketing campaign to attract new businesses. What would be an equitable strategy to draw international business here in South Florida?

A: **Jose Aldrich, vice dean for administration, Florida International University's College of Business:** We do a lot of marketing and, in some cases, Miami markets itself. We have organizations like Enterprise Florida, the World Trade Center and the Beacon Council, which are all engaged in that kind of marketing. So we have that already down.

The real issue here is: What do you do with that kind of funding, other than marketing? What do we need to do to move forward and develop an economic base that we have defined for ourselves? I think it requires not only businesses coming together, but also education and government coming together. We have several things going for us in this community with our One Community, One Goal project that is moving along to bring all these elements under an umbrella organization. The real question is: How do we define ourselves? Are we a service industry or a high-technology industry?

Todd Oretsky, co-founder, Pipeline Brickell: I think it's about giving people access to the information that allows them to move forward. Also, it's important for them to get to know people, such as those in this group and other leaders, which will enable them to benefit and grow their business. I don't think having businesses tax themselves like a neighborhood association would be very helpful, but instead we should look toward voluntary contributions.

Q: What are the barriers to growth, and who is working to address those issues?

A: **George Mencio Jr., partner and co-chair, International and Cross-Border Transaction Practice Group,**



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Todd Oretsky, above, is co-founder of Pipeline Brickell. Jose Aldrich, right, says that FIU has 'moved ... toward creating our leaders for tomorrow in the international community.'



Holland & Knight: There really are few [barriers]. We are a very hospitable place in South Florida because we have a welcoming environment, especially for Latin American businesses that come here and feel at home. They call us the gateway, and that's for a reason, but it's also a meeting point and, oftentimes, you will see companies that are doing a deal that does not touch upon the United States having the forum here in South Florida. Why? Because we have a cadre of professionals across the service industries that are bilingual and bicultural who are able to communicate in such a way that the foreign player does not feel that they're in a hostile environment.

Paul Waters, senior managing director, Cushman & Wakefield: The barriers to growth, by my estimation, are the Ever-



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Port Everglades Chief Executive Steve Cernak, left, and Cushman & Wakefield senior managing director Paul Waters, above.

glades to our back and the surrounding ocean. I don't think the state of Florida has been doing a very good job attracting corporate America. So why is that? I think corporate America sees Miami as America's play land. This is where they go with husbands and wives to play golf, relax and vacation. Although that's a great story to be told, I don't think it's been told very well.

Q: Before this event, we were all talking about the Panama Canal, and how there's a lot of hype surrounding growth tied to the canal. But what are the street-level, real-world opportunities?

A: **Steve Cernak, chief executive and port director, Port Everglades:** Just to set this up a little, the Panama Canal does



present an opportunity, but that opportunity is already here today. What the canal does is bring a lot of attention to the infrastructure issues in relation to ports. We already have the larger vessels calling on Port Everglades, albeit coming in light-loaded because we don't have the channel cut so that they could come in and fully utilize that capacity. So that's predominately due to the north-south trade pattern that we serve. But the newest vessels that are being delivered today for the major ocean routes are 18,000 TEUs – or 9,000 40-foot containers. That's too large for either PortMiami or Port Everglades to handle, but what it's doing is cascading the existing vessel fleet down to other ports.

So if you look at the current fleet configuration at PortMiami and Port Everglades, it's generally the 4,000- to 6,000-TEU vessels that call. Now with the added missions control areas that have been opposed by the Environmental Protection Agency and a number of other issues surrounding our operations, it's forcing the industry to look at how to do things more cost-effectively. That is pushing the larger ships to go further down the trade route. So we really need to invest in the infrastructure to handle that because that's what the future of the shipping industry calls for. That will mean initially less calls, but more cargo.

Q: I have a question about capital fleeing Latin America, Europe and elsewhere. We always benefit when capital flees because that's basically the symbiotic relationship that we have, particularly, with Latin America. So what can we do to make that kind of opportunity sustainable?

A: **Mencio:** Capital flight is cyclical because governments are cyclical and, clearly, what's happening right now in Venezuela is a fact of life and we benefit greatly from that. They come here, they invest in

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business, they buy real estate and they mesh into our community. Right now, you're beginning to see, in certain parts of South Florida, that some of the local mayors and commissioners are of Venezuelan descent or Venezuelans who have become nationalized – and this is a good thing. I don't think there's a formula to how this goes down, but we will still be the primary beneficiaries of any capital flight from Latin America because of what we are. We are a hospitable place where folks from Latin America feel at home.

Aldrich: The issue here for us, as an educational institution, is that 20 percent of our undergraduate students are from the Latin American and Caribbean community. In the graduate program, we have 39 percent from those areas, and the majority of both classes of students are from Venezuela. A lot of that has to do with both capital and human flight. The challenge that we face is that if there is a change in government there, it starts to change up our mix as students could possibly begin to go back to their countries once they graduate. That's why we need you all to sponsor those good students so that they remain here.

So I think that it's an issue that impacts the whole community, and we need to be prepared to react to a drop in capital and human flight by creating that economic base of attracting other industries here and not being dependent on that capital flight.

Oretsky: The problem with flight capital coming in here is that it artificially inflates prices, especially in real estate, which some people feel is a safe haven. So I think Jose hit the nail on the head about what we need to be concerned about, which is: How do we

keep capital here? You want to keep people here that come here for political or safety reasons by giving them a proper pipeline of education and jobs. At the end of the day, it's all about risk adjustment returns on capital. So we need to provide a safe environment that's family-oriented because it's families that keep people here instead of going back to their countries.

Q: Are there industries in Latin America that translate well to South Florida? What are we doing to attract those industries?

A: **Waters:** I think the obvious answer is the produce industry. It's growing here in South Florida and is making its way into the southeastern United States market. Just recently, Peru initiated a cooling process in their own country because in prior years they had to send their produce to Philadelphia to be frozen to kill larvae and insects. Then, they would be shipped by train down to Miami for distribution in southeastern states. So now they're cooling them in Peru and shipping them straight to Miami for distribution. Something like that is growing the produce footprint in South Florida.

Oretsky: In Miami, we are the center, especially for Latin America, but we're seeing a lot of European companies looking for access into our network and access into our information. We have a huge international market in Miami, but it goes beyond Latin America. I don't know if you guys see it or not, but we're starting to see a lot more Indian and Chinese investments. To increase that, it's about knowledge and access, and getting people involved in the community and making it easy by removing those barriers. One of the things about the U.S. in gen-



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Holland & Knight partner Maria T. Currier makes opening remarks before the panel.

eral is that we have relatively low barriers for starting corporations, but we do have some significant cultural barriers for people getting involved in the communities.

Mencio: I agree with Paul on produce and perishables. We know for a fact that some European companies have made South Florida their base, and some of those companies are the biggest importers of melons to the United States. They had done so by setting up operations here in South Florida and, in the same time, consolidated farms in Central America where these products are grown.

Cernak: If we're talking about perishables, it's been a restricted market because of regula-

tions over the years – if you go back to the law that originated here to attract the citrus groves – but we're working with PortMiami to expand that. That should help [us] as consumers when we go to the supermarket.

Q: What are some niche growth areas that we could exploit?

A: **Oretsky:** Technology isn't necessarily a niche, but every city across the world is trying to focus on technology, as well as educational systems. In South Florida, we should focus technology on what we have and what we're good at, whether that means hotels, tourism, shipping, etc. We see several companies with technology driven toward the shipping and cruise industry. The people that are winning are focused on those niche practices. Being a generalist in technology, it's hard to compete with Silicon Valley or areas that have significant academic institutions.

Aldrich: On medical tourism, I've had some experience after having to deal with companies and hospitals in my past career. What we're seeing now is a middle class and an upper middle class that is beginning to emerge in Latin America that are seeking better medical care, and [providers] like Baptist Health South Florida and others are setting up centers of excellences in Panama, Mexico and looking at Colombia. At these clinics, they will handle medical problems at a cost that's a fourth of what you might find in the U.S. So the issue is that if you're going to attract that next layer of medical tourism, how can you do it cost-effectively here in Miami?

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Q: Jose, what kind of curriculum changes are happening at FIU and other schools to leverage some of the opportunities that we've been talking about today?

A: Aldrich: At FIU, we're really first in the market in some of the various programs that support the business community. You've got many programs going on that we call the executive programs for graduate level, and even on the undergraduate side, we're bringing things in like logistics, data analytics and looking at international business. We like to work with our business partners, and we like to work with you all on developing a partnership because it's you who tell us what you need. We can design executive education or add to programs to make sure we meet the needs you have.

We've got a great international M.B.A. that has great students from all over the world. The majority of the students in the international M.B.A. come from outside the U.S. We've got our executive M.B.A., where we've moved away from the traditional finance courses and toward creating our leaders for tomorrow in the international community.

Q: Are there programs for international students that are focused on importing their talents here?

A: Aldrich: That's what we like to do. We bring in a significant number of students from outside the U.S., so the real issue is: How do we retain them? As far as our environment here, that's an easy sell. The problem for the people that come from the outside is an immigration issue, so we need companies to sponsor them to retain their talent here.

What we can do is attract these international businesses to bring their Latin American headquarters here so that these smart students can work here in Miami, but still work to improve their country. A lot of these students are from the upper emerging class, and they have a lot of contacts that can help these companies here in South Florida improve business in their countries.

Q: Steve, Port Everglades is spending a lot of money to upgrade its resources. Can you talk a little bit about that?

A: Cernak: Port Everglades has been working with the state on several capital improvement projects, which

over the next 15 years will create 143,000 jobs statewide and 7,000 of those will be regional jobs. There are three that we view as cargo-related projects that are ongoing at the port. One is the Southport turning notch extension that is going to add five additional berths. We are moving forward with deepening and widening projects to allow for larger ships, and there's an intermodal container transfer facility currently under construction that's going to be an on-port rail yard.

Q: I'm very interested in the idea of competition between PortMiami and Port Everglades because everyone wants to be No. 1, but not everyone can. How are you competing and how can you blend resources?

A: Cernak: We complement each other because we have finite resources and there's only so much land. Miami can't take my operation and put it on their footprint, nor can I take Miami's operations. This is really driven by the private sector because we have a lot of shipping lines and, for whatever reason, a shipping line will choose PortMiami or Port Everglades. Just in the past year, we surpassed PortMiami in container volume, but they're still close. So I see

that flip-flopping back and forth, but the story here is that we both anticipate growth.

Q: Paul, I wanted to ask you about international businesses that are testing the waters here in South Florida. I wanted to understand how the demand from Latin America relates to infrastructure and the cost of real estate. Is this driving cost higher?

A: Waters: I can't overstate the need for the footprint of corporate America to come to Florida. I think infrastructure is an issue for corporate America and their people when they don't see vast infrastructure for trains, buses, etc.

Is it increasing the cost of real estate? In my view, we're an industrial market because of all that lovely blue water out there and, although we have a healthy office component, it's still an industrial market. We're currently involved in the sale of a Class A industrial property, and we'll reach close to \$140 a square foot, which is a record high for industrial property in South Florida. So the institutional players are still here, and it's driving the cost of industrial assets up.

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