

# South Florida as a Gateway to Latin America and the Caribbean

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## Background and Objectives

- The Consulate General of Canada in Miami wishes to showcase Florida, particularly South Florida, as a gateway to conducting business in Latin America and the Caribbean.
- The goal of the study is to assist clients of the Canadian Trade Commissioner Service to initiate or increase their sales of goods and services to Latin America, the Caribbean and other international markets.
- The research will accomplish this by clearly outlining how Canadian companies can leverage corporations, institutions, infrastructure, legal frameworks and other relevant sources found in Florida, and compare the advantages that Florida offers with other US and Latin American cities.

## Why South Florida

### SWOT of South Florida as a gateway

Strengths far outweigh the weaknesses. Opportunities include expanding LatAm trade and a thriving IT industry

#### Strengths

- High level talent - bilingual (Spanish/English) and expert in Latin America and the Caribbean (LAC)
- Excellent support from LatAm focused services: legal, consulting, accounting, headhunting, etc.
- Cultural and linguistic affinity for LatAm
- Cultural / Regional neutrality
- Latin American population offers extended personal network of contacts in LAC region
- Ease of travel to Latin America and Caribbean
- Largest cargo airport in the US and large, efficient ports undergoing constant investment
- 1,100 multi nationals present, with 600+ LatAm regional headquarters
- Pro-business government and tax structure

#### Opportunities (for Canadian companies)

- Miami trade with Latin America is growing at 10.3%/yr.
- Fifth straight years "Miami is the best city for doing business in Latin America" - America Economia magazine
- Miami's fastest growing industries include mobile phones and components, computers and parts, other high-tech goods, and medical instruments
- Growing venture capital and support for IT start-ups, Fast Company's #1 State for Innovation (May 2013)
- Rising consumption and urbanization in Latin America will translate to increasing demand for

better ICT and energy infrastructure, waste management systems, and transportation logistics in the region

## **Weaknesses**

- Entry level talent-only the University of Florida at Gainesville regularly ranks among US top 50
- Limited manufacturing sector
- Nascent venture capital community
- Miami Custom's District is #10 in the country, with smaller capacity than rivals Houston and Savannah
- Traditionally known for tourism and recreational activities

## **Threats (for Canadian companies)**

- Ability to transfer LatAm talent to a Miami regional hub can be complicated and delayed by US immigration policies
- High tech industries face a limited talent pool and thin, yet growing, investor community in South Florida

## **Gateway strategies**

### **The Role of Miami as a Gateway Hub**

Exporters of both goods and services find Miami to be preferable to any other city as a regional hub

Canadian Exporters - find it beneficial to launch a sales office from Miami because:

- It is easy to recruit well connected sales staff to service Latin American and Caribbean (LAC) markets;
- Salespeople can easily and inexpensively fly in and out of LAC markets;
- Buyers, particularly from the Caribbean basin, often come to Miami to source products;
- The bureaucracy and costs of setting up a sales office, connected virtually to HQ in Canada, is minimal; and
- For small and medium exporters who cannot afford to fund a full LatAm sales team, Miami is an ideal place to find regional agents and representatives.

Canadian Strategic Investors Operating in LAC - find it beneficial to manage their regional operations from Miami:

- In-house and external legal, HR, accounting and other support functions with LAC expertise are much easier to source in South Florida than Canada;
- Senior level managers from LAC most prefer to transfer to South Florida than any other North American (or Latin American) hub destination making it easier to staff your regional management team; and
- Florida legal and tax environment provides greater flexibility than Latin American jurisdictions to expand and shrink operations quickly and cost-effectively

### **Optimal go to market strategy for Latin America**

LAC has close to 40 markets and requires a stratified approach

## **Tier I Markets** - Brazil and Mexico

- Represent 70-80% of LAC demand, depending upon the product.
- Huge markets with big internal regional differences that warrant multiple local distributors or points of sale. Local customers expect international suppliers to establish a supporting office in-country at a minimum.
- Tier I markets often report to global headquarters directly or to a Miami based LAC office.

## **Tier II Markets** - Colombia, Argentina, Chile, Peru, Venezuela

- Represent 15-20% of LAC demand, depending upon the product.
- All (except Colombia) can be serviced from either a single admin office in the capital city or a strong national distributor in the capital. Colombia may need up to three distributors.
- Tier II markets usually report to a Miami based LAC office, but sometimes to sub-regional offices in Mexico City, Bogota, Sao Paulo, Buenos Aires or Santiago de Chile.

## **Caribbean and Central American Markets**

- Represent 3-5% of LAC demand, depending upon the product
- For many product categories, these markets can be serviced by a sales team or regional distributor based in South Florida. Many companies keep inventory stocked in South Florida and ship directly to large customers or local dealers, bypassing a national distributor in these markets.
- These markets usually report to a sub-regional division office in Miami.

## **ROSA Markets (Rest of South America)** - Uruguay, Paraguay, Bolivia, Ecuador, Guyana, Suriname, French Guiana

- Represent 4-6% of LAC demand, depending upon the product.
- Often structured as sub-regions of a neighboring market (e.g. Ecuador reports to Lima, Peru office).
- For high value export strategies (e.g. aerospace equipment), customers may be serviced by a sales team in Miami.

## **South Florida vs. its domestic rivals**

South Florida beats Houston and Atlanta in multi-national presence, exports, and logistics.

**Figure 1**

<b>Number of multi-nationals with LatAm regional headquarters</b>	
Figures in currency throughout the presentation are expressed in US dollars.	
South Florida	644
Atlanta	186
Houston	78
Brazil	150

Panama	60
Mexico	50

**Figure 2**

<b>2012 Total Exports to LatAm and the Caribbean, USD billions</b>	
Figures in currency throughout the presentation are expressed in US dollars.	
Miami	\$56.8
Houston	\$53.5
Atlanta	\$3.3

**Figure 3**

<b>Airport Infrastructure, 2012</b>			
Sources: Enterprise Florida, Greater Houston Partnership, Research and Innovative Technology Administration, World City			
	Annual flights to region	# of LatAm and Carib cities with non-stop air service	International air cargo tonnage
Miami	75,009	75	1.8 million
Houston	33,747	57	18,818
Atlanta	19,282	42	26,068
<b>Port Infrastructure</b>			
	Port type	Observations	
Miami	Container	Container vessels make up 95% of Port Miami traffic	
Houston	Bulk	Bulk vessels make up 70% of Houston's port traffic	
Atlanta	Container	LatAm countries are not among Atlanta/Savannah's top trading partners.	

## Florida as a Gateway

## Florida's key merchandise exports

- High-tech goods are Florida's top export, almost all headed for LatAm.
- Florida is the 3rd largest exporter of high-tech goods in the US, following California and Texas.
- Miami Customs District is the #1 exporter of cell phones and printers in the US, fueled by rapidly growing LatAm demand.
- Hi-tech multinationals operating in South FL include Brightstar, Terremark, Citrix, IBM, Motorola, etc.

**Figure 4**

<b>2012 Florida Merchandise Exports, billions</b>	
*Other includes textiles, manufactured food and beverage products, chemicals, wood and paper manufacturing, among others.	
Agricultural Goods	\$3.8
Telecommunications equipment	\$5.1
Air craft, engines and parts	\$7.0
Precious Metals	\$7.9
Technological Goods	\$16.4
Other*	\$50.2

**Figure 5**

<b>Top high-tech product export destinations</b>	<b>2012 Value, millions</b>
Source: Enterprise Florida	
Venezuela	\$1,900
Brazil	\$1,600
Colombia	\$1,200
Paraguay	\$980
Chile	\$964
<b>Top high-tech export products</b>	<b>2012 Value, millions</b>
Telecommunications Equipment	\$4,300

Computer and components	\$2,800
Office Machinery Parts	\$1,200
Printing Machinery & Parts	\$1,100
Electronic Integrated Circuits	\$817

## Key and Emerging Industries

Growing Latin American purchasing power is fuelling demand for high-added value imports

### Cellular Phones and Equipment Industry

- 17% Export Growth in 2011-2012.
- LatAm middle class purchasing power grew 50% in the last decade, increasing people's access to mobile phones.
- By 2020, mobile subscriptions in LatAm will increase from their current penetration of 810 per 1,000 people to 1,170 per 1,000 people.
- By 2020, the largest mobile markets in Latin America will be Brazil, with 259 million subscriptions, Mexico with 135 million and Colombia with 61 million.

### Aviation

- 11.7% Export Growth in 2011-2012
- Miami is home to over 400 aircraft parts manufacturing and MRO companies.
- Analysts predict airline traffic to, from and within LatAm and the Caribbean to grow by more than 6% annually for the next 20 years.
- To meet this demand, LatAm will need more than 2,000 new passenger aircrafts in the next 20 years, fueling demand for Miami-based MRO companies.

### Healthcare

- 7.6% Medical Equipment Export Growth in 2011-2012.
- 20% Pharmaceutical Export Growth in 2011-2012.
- In the last ten years, 73 million people have joined the middle class in Latin America, able to afford private medical services for the first time.
- By 2020, LatAm's population of seniors is expected to double to 83 million, increasing the demand for treatment of chronic diseases.

## South Florida's physical infrastructure

The US' largest cargo airport and a combined 3,000+ annual ship calls make South Florida an undisputed logistics hub

### Port Miami

- LatAm and the Caribbean make up 54% of port's trade.
- Handles 8+ million tons of cargo annually.

- Total ship calls: 1,284 (2011).
- Port will be dredged to reach a depth of 50 feet by summer 2015 to meet post-Panamax vessel requirements - one of only 3 ports in US to accommodate post-Panamax ships.
- A tunnel constructed beneath downtown Miami will improve truck access to port by 2014.

## **Miami International Airport**

- #1 U.S airport in international freight with 1.8 million tons annually.
- Freight to/from LatAm accounted for 72%.
- Received 18.4 million international passengers in 2012 with 74,000+ annual flights to LatAm.
- 7.6 million passengers flew to LatAm in 2012.

## **Port Everglades**

- LatAm and the Caribbean make up 80%+ of port's trade.
- Handles 6 million tons of cargo annually.
- Total ship calls: 1,743 (2011).

## **Truck and Rail**

- Total intermodal rail cargo amounted to 10.5 million tons in 2012.
- 65 million tons of goods entered the state of Florida by truck in 2011.

Sources: Port of Miami, Port of Everglades, U.S department of transportation, Miami International Airport , Association of American Railroads, Florida Tax Watch Center for Competitive Florida, American Association of Port Authorities

## **How to leverage South Florida - A Case Study**

Sells IT goods exclusively to LatAm, leveraging Miami's ease of travel and LatAm-savvy workforce

## **Intcomex, IT products distributor**

### **Company Profile**

- Founded in 1988 by Michael Shalom, current main shareholder.
- Largest distributor of IT products specifically serving Latin America in the world
- \$1.5 billion in annual revenue.
- Distributes to 50,000 customers in 40 territories in LatAm and Caribbean exclusively; does not distribute to the US.
- Markets over 12,000 products from 130 vendors, sourced from all over the world.

### **Leveraging Miami**

- Physical infrastructure and geographic location.
- Miami offers maximum direct flights to all LatAm markets with high flight frequency and flexibility.
- Easier to access all of LatAm than any other regional city; makes it Intcomex's preferred choice to manage regional operations.
- Labor force.

- Intcomex's 200 Miami-based employees are multi-lingual, multi-cultural and multi-skilled.
- Most employees have lived and/or worked in LatAm, understanding its culture and how to do business there.

### Miami Office

- 200 employees.
- Houses key decision makers: CEO, COO, CFO, HR, marketing.

### Regional Offices

- House a sales team and general manager.
- Annual revenues range between \$40-\$300 million.
- All offices report to Miami headquarters.
- Receive merchandise from Miami and do local purchasing.

### Florida's integration into global value chain

Despite a weak manufacturing sector, Florida is an expert at adding value and re-exporting.

### Florida manufacturing

- 2012 Florida manufacturing reached \$66 billion, 8.5% of GDP.
- Florida punches below its weight in manufacturing, but goods are highly plugged into the global value chain through exports, more than any other state.

**Figure 6**

2012 Florida origin manufacturing exports	Value, billions
Source: Enterprise Florida, Florida Tax Watch Center for Competitive Florida, National Manufacturers' Association	
Computer and electronic products	\$14.5
Transportation Equipment	\$10.4
Primary Metal Manufacturing	\$8.5
Chemicals	\$7.5
Machinery, except electrical	\$6.7
Food and Kindred products	\$2.5
Electrical Equipment	\$1.8
Fabricated metal products	\$1.5
Paper	\$1.4

Plastics and rubber products	\$1.0
Other	\$10.2
<b>Total</b>	<b>\$66</b>

**Figure 7**

<b>2012 Total Florida exports (billions)</b>	
"Florida Origin" refers to goods to which some sort of value has been added.	
Florida manufactured goods exports	\$17
Non-Florida origin exports	\$24
Other Florida-origin exports - Over 50% of Florida's exports were originally imports, with value added to them in Florida for re-export.	\$49

## Canadian Presence in South Florida

Canadian trailblazers have created a strong infrastructure in South Florida, with proven success stories.

- 275 Canadian companies have affiliate offices in Florida, 109 in South Florida.
- In 2010, Canada FDI in Florida amounted to \$3.3 billion, 10% of all FDI to Florida.
- Cited reasons for Canadian companies to establish facilities in South Florida:
  1. Access to Latin American markets; and
  2. Access to the 26,000 Canadians residing in South Florida

Well-known Canadian Affiliates in South Florida include:

- ADF International - Infrastructure
- Apple Express - Logistics
- Blackberry - ICT
- Garda Cash Logistics - Security
- Pure Technologies - Clean Technology
- Scotiabank - Financial / Wealth Management
- Toronto Sky Aviation - Aviation
- UCC Steelwork Connection - Manufacturing

**Figure 8**

<b>Canadian industry clusters in Florida, % of total companies, 2010</b>
Source: Enterprise Florida, World City, Canadian American Chamber of Commerce, Consulate General of Canada in Miami, Kroll Analysis

Financial services	37%
Consumer products	17%
IT	7%
Industrial materials	6%
Business services	6%
Engineering/Construction	5%
Media and Teleco	5%
Tourism/hospitality	3%
Real Estate	2%
Aviation	1%
Pharmaceutical	1%
Other	9%

## To conclude - Main points on South Florida as a gateway

According to experts, Miami beats out all others.

1. 644 multi-nationals have established their Latin American headquarters in South Florida, more than any other city in the Americas.
2. Miami is an extension of Latin America in terms of its demographics.
  - 1,300,000 Latin Americans call Miami home, more than 50% of the city's total population.
  - Latin American professionals in Miami cross the cultural bridge between North and Latin America, are bilingual, and have experience working in the region.
3. Logistics connectivity and trade
  - Miami has the greatest number of flights to LAC and flies directly to more LAC cities than any other regional city.
  - Miami International Airport is the largest cargo airport in the US. Trade with LAC represents 72% of Miami air freight. Trade LAC represents 62% of all Miami port freight.
  - 13 out of 15 of Miami's top trading partners are LAC countries.
  - Fastest growing export industries include high-tech goods, aviation, and medical devices and pharmaceuticals.
4. Local resources help companies succeed in South Florida

- Miami has a wealth of professionals--lawyers, accountants, consultants, etc. — who are experts in Latin America.
- 26 Latin American consulates are located in Miami.
- Florida provides a business-friendly and low cost environment with tax incentives for investors, no state income tax, employer protections, and an infrastructure to help companies thrive.

A 2013 study conducted by Latin American business journal, AmericaEconomia, found that Miami is the #1 city for doing business in Latin America for the fifth year in a row.

## Next Steps

If you're a Canadian company that wants to leverage Florida to sell to Latin America and the Caribbean, please contact the Canadian Trade Commissioner Service in Miami for a full copy of the study and additional information:

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## Methodology

- AMI consultants relied primarily on secondary sources from relevant associations to collect most of the facts and figures contained in this report, such as:
  - Enterprise Florida, World City, and other business associations;
  - US Census Bureau and other statistics authorities;
  - Port of Miami, Miami International Airport, and other infrastructure entities;
  - Miami-Dade county; and
  - Consultants conducted personal and phone interviews with multi-nationals operating in Florida and expert voices in the Florida business community to collect information for the report's case studies and deeper insights and qualitative analysis.

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