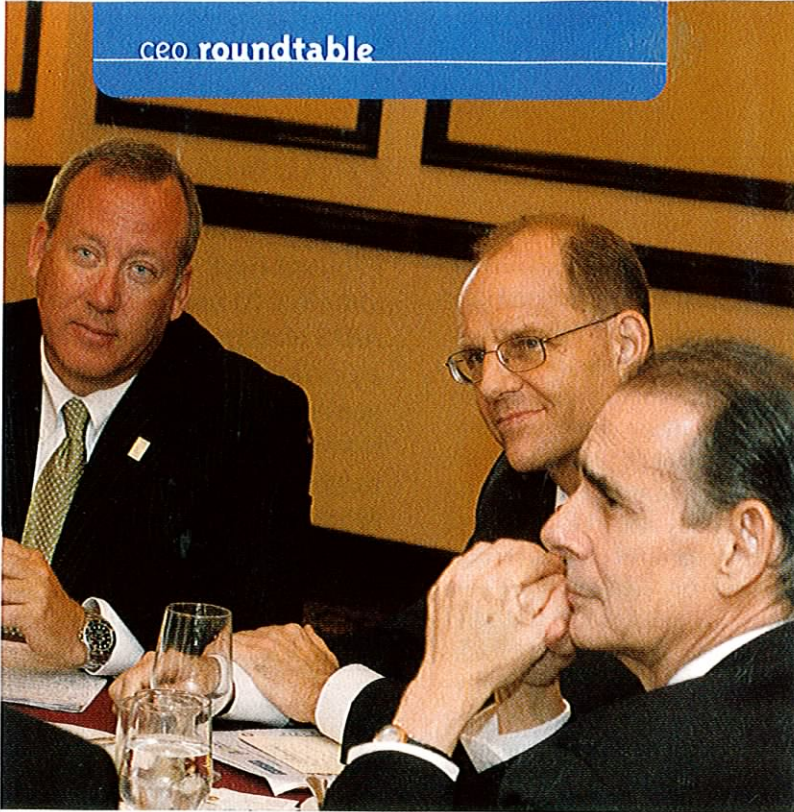


ceo roundtable



globalization vs. regulation

As companies go global, they are bombarded and sometimes hobbled by government regulation, but they learn to adapt and thrive

Much of the tension in the world today results from “globalization butting up against government regulation,” said Bob Targ, partner at the law firm Diaz, Reus, Rolff & Targ, summing up the central theme of WORLD CITY’s monthly CEO Roundtable held at The Biltmore Hotel in Coral Gables.

Targ’s colleagues at the table — Stephen Flowers, President of UPS Americas, Jorge Granados, founder of LatiNode, and David Berger, regional managing director of NAI Global — could all relate to how tensions between the inexorable drive toward economic globalization and the inevitable push-back from governments had impacted their business, but no one more so than Alberto Valdes, CEO and president of The International Bank of Miami.

“Our bank was forced out of its international banking niche, because it was simply impossible to meet the government regulations,” said Valdes, who listed other casualties — Santander, BBV, Barclays, Deutsche Bank, Lloyds Bank — of the ramped-up anti-money laundering regulations imposed on the U.S. banking industry since 9-11. These and other Miami-based banks have been forced to change their focus or move on. “It’s difficult to count all the banks that have left,” said Valdes.

The International Bank of Miami (TIBOM), one of the oldest community banks in South Florida, was focused primarily on international correspondent banking and private wealth manage-

ment prior to 9-11. Since then, it has undergone a transformation, shifting its focus to domestic corporate lending and commercial real estate. Still, it continues to be involved in trade finance, some corresponding banking with Central America and private banking. And the cost of compliance, said Valdes is "mind-boggling."

Three year ago, he explained, TIBOM had four people in its compliance department. Today, it has 25 out of a total staff of 215. But the cost of compliance doesn't stop there. Every new employee at the bank, no matter what his position, must go through a detailed security screen and attend a compliance training program. Valdes reckons that 70 percent of the bank's overhead is related to compliance. It used to be five percent.

Of course, the U.S. government had good reason to impose stricter standards on banks to thwart financial crime and terrorist financing. "There are tremendous risks of money laundering in legitimate businesses," observed Bob Targ, whose law firm requires that all its attorneys be certified by the Association of Certified Anti-Money Laundering Specialists. "Entire industries have been corrupted. The cut flowers business went through it, the textile industries, the computer and electronics businesses..."

"That's right and those are all my customers," quipped Steve Flowers of UPS, who runs a massive logistics operation that must deal with new government regulations at every turn. The success of Flowers' business depends to a great extent on his company's ability to adapt to Customs and other regulations while, at the same time, coaxing governments to harmonize standards and procedures.

"Every time I visit a country, I take the opportunity to meet with the chamber of commerce and government officials to discuss issues related to Customs modernization and trade facilitation," said Flowers, who is also chairman of CLADEC (Caribbean and Latin American Express Delivery Conference), the association of logistics companies that works to improve the movement of goods throughout the region.

Flowers noted that, in his business, bilateral and multilateral free-trade agreements were essential for removing uncertainty about government intervention and overburdening regulation. "The beauty of the free-trade agreements is the legal language that provides clear guidance" for Customs and other regulations to follow. Trade has clearly increased as a result of free-trade agreements, added Flowers.

From moving money to moving goods to moving information... "We, too, are in a heavily regulated environment," said Jorge Granados, founder of LatiNode a telecommunications carrier that specializes in transmitting voice digitally via the Internet. And, he added, "It's becoming totally crazy."

Granados explained that his company is required by the Communications Assistance for Law Enforcement Act (CALEA), which is enforced by the Federal Communications Commission and the Department of Homeland Security, to

allow the government to conduct sophisticated electronic surveillance. "Government regulations require that we store all our calls and records for five years. As a result, our data storage capacity has to be huge," said Granados, adding that LatiNode invested \$2 million to become compliant with the CALEA standards.

Alberto Valdes, Chairman, CEO & President

The International Bank of Miami

With \$1 billion in assets, The International Bank of Miami (TIBOM) is one of South Florida's largest independent community banks. As its name would suggest, the bank was born with an international vocation. However, "things have changed since 9-11," said Alberto Valdes. "International banking is no longer the flavor of the day."

Before 9-11, foreign nationals accounted for 85 percent of the bank's deposits and its loans. Today, they account for 65 percent of deposits, while international lending is negligible. "The bank needed to diversify and pull away from such a big concentration in international banking," said Valdes. Nevertheless, international wealth management is still a big part of the business. "You just can't get away from it if you are in Miami."



Stephen Flowers, President

UPS Americas

From his Miami office, Canadian Steve Flowers runs UPS's express, cargo and supply chain solutions business across 50 countries in Latin America and the Caribbean, as well as in Canada. Together, those markets generate well over \$1 billion in annual revenue for the global logistics firm. "Latin America is one of UPS' fastest growing regions and it's still a huge opportunity for us," said Steve.

Miami's booming exports to Central and South America, especially of computers (see trade story page 22), explain his upbeat mood. "I see a lot of product moving from here into Latin America – printers, laptops, cellphones – growth is phenomenal." But Mexico is growing too. There, UPS expects to have opened more than 20 new operating centers for express delivery by the end of the year.





Jorge Granadas, Founder, LatiNode

Jorge Granados founded LatiNode in 1999 with a meager \$850,000 investment. Eight years later, it is one of the 10 largest VOIP (voice-over-Internet-protocol) carriers, accounting for 6 percent of the world's long-distance VOIP traffic, said Granados.

The Miami firm has offices in Germany, Guatemala, Spain, Honduras, Nicaragua, Colombia and Argentina. Annual revenues have grown by 60 percent annually for the past five years and are now close to \$450 million. But sustaining that kind of growth requires deep pockets. In June of this year, Granados sold 80 percent of LatiNode to Elandia, owned by the Stanford Group.

In late-November, Granados — a serial entrepreneur — stepped down as CEO of LatiNode. He is putting together an investment fund and looking for other promising South Florida technology firms.

As a global company, LatiNode has to comply with onerous regulations in other countries, too. "It took three and a half years to get our operating license in Europe," said Granados. "Thankfully," he added "once you do finally get your license in one country, you are eligible to operate throughout the European Union."

No one ever said that globalization is easy. Still, despite the heavy hand of government regulation, LatiNode and the other companies represented around the table are not only surviving, but thriving.

LatiNode recently entered the retail business, offering prepaid long-distance phone service to the U.S. Hispanic market and signing up 150,000 customers in less than six months. It is now venturing into the infrastructure business in Latin America, bidding for licenses to set up CDMA 450 networks in rural areas in Argentina, Mexico and Central America. From humble beginnings in 1999, the Miami-based firm aims to reach the \$1 billion annual revenue mark within four years.

UPS is already well beyond the \$1 billion mark in the Americas region that Steve Flowers oversees, and his business is expanding rapidly. Five years of growing economies, combined with strengthened currencies, mean that "there is increased wealth in Latin America and a huge demand for consumer products," which UPS is happy to deliver.

Today, however, UPS does much more than just deliver. The fastest growing piece of Flowers' business is what the company refers to as "service parts logistics." For a growing number of customers, such as computer and digital camera manufacturers, UPS provides warehousing, distribution and even repair services. "When products are damaged, we pick them up, bring them back for repair and then do the re-distribution."

UPS has set up distribution centers in all the major Latin American markets to provide this kind of full-service logistics. That kind of demand for warehousing and for office space by UPS and many other multinational companies is what drives business for David Berger, who runs the regional operations for NAI Global, a commercial real estate advisor and broker. NAI's Latin American and Caribbean operation grew by a whopping 30 percent in 2007, with Mexico and Brazil providing the biggest opportunities. Growth is expected to continue apace in 2008.

For The International Bank of Miami, this year saw a continued retraction on the international side, while "the growth of the bank on the domestic side has been spectacular," said Valdes. The bank's net growth for the year was about 10 percent. As it turns out, however, much of that "domestic" business, which grew by over 20 percent this year, is linked to international business. A significant portion of the bank's lending is to finance inventory and exports to Latin America. "That business has exploded," said Valdes.

As for Diaz, Reus, Rolff & Targ, there's no concern about lack of business. As long as globalization continues to butt up against government regulation, which is an absolute certainty, there will be plenty of demand for his firm's legal expertise. WC



Robert Targ, Partner, Diaz Reus Rolff & Targ

Bob Targ and his partners formed their law firm just 18 months ago, pooling their collective talent and experience in international commercial and civil litigation, as well as international arbitration and regulatory work in the areas of anti-money-laundering, Customs and international trade.

The firm's primary focus is Latin America, particularly Venezuela and Colombia, but its scope has broadened to include Asia and the Middle East. Diaz Reus Rolff & Targ recently opened a Hong Kong office.

DRRT has nine attorneys that can conduct business in a variety of languages — Spanish, Italian, Portuguese and Arabic. "Business is good if your emphasis is on international markets, particularly Latin America, as ours is," said Targ, who has been practicing law in South Florida for 30 years.



David Berger, Managing Director, Latin America & Caribbean, NAI Global

With 580 offices worldwide, NAI Global is one of the top five global real estate firms. From his Miami office, David Berger, who joined the firm in early 2007 after a successful career with Cushman & Wakefield, manages a \$25 million business, with 26 offices in eight countries.

This year, the firm's business in the region jumped by 30 percent. Brazil and Mexico are the big markets for commercial real estate, but David sees great potential in Colombia and Peru, too. "We would have grown even faster," said Berger, "if we could find more qualified people." NAI has seven people in its Miami office and 600 employees across the region. The company is considering adding offices in Puerto Rico and Jamaica.