The Impact of Globalization on Florida’s Industry, Workforce and Environment:
Public Policy Dimensions

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Few U.S. states have benefited more in economic terms from the trend towards globalization in recent decades than Florida.2 Taking advantage of its geography, advanced logistics infrastructure, and close cultural ties to Latin America and the Caribbean, Florida has become the principal U.S. gateway for merchandise trade with its southern neighbors (excluding Mexico),3 a key transshipment hub for European and Asian goods destined for Latin American and Caribbean markets (and vice versa),4 as well as a leading exporter of legal, medical, financial and other professional services.

Florida has also benefited in recent years from a surge in foreign direct investment – the lion’s share by European-based multinationals establishing manufacturing operations, distribution centers and marketing offices,5 as well as a significant sum in the form of real estate purchases by Canadian “snowbirds” and wealthy Europeans and Latin Americans.6 A steady influx in international visitors to Florida’s beaches, theme parks, and retail

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2 As Bhagwati observes in In Defense of Globalization (2004), the term globalization means different things to different people. It will be used here primarily to describe what Bhagwati terms economic globalization: “(The) integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, and international flows of workers and humanity generally, and flows of technology.”

3 The value of Florida’s merchandise trade doubled during the 1990s and peaked at $74 billion in 2000, with roughly three-fifths of this trade conducted with Latin America and the Caribbean. The figure fell to less than $71 billion in 2001 and 2002, owing largely to the global economic slowdown and the September 11 attacks. Merchandise trade rebounded to $73 billion in 2003, and rose to nearly $40 billion during the first half of 2004.

4 One of the most lucrative segments of the transshipment business is the automobile trade. Vehicles made in plants in Europe, Asia and Mexico enter Florida’s ports before continuing on their journey to Central America, the Caribbean, Africa and the Middle East. The Port of Jacksonville is Florida’s leading roll-on, roll-off port, and one the top three vehicle-handling ports in the nation. Abbott (2004).

5 Nearly 2,000 foreign affiliated companies are located in Florida, including 300 regional corporate headquarters of international firms. In addition to European firms, a growing number of Latin American multinationals, including LanChile, Televisa and Embraer have established headquarters in Florida. The latter recently was part of a consortium that won a $7 billion U.S. government contract to develop the Aerial Common Sensor (ACS) airborne intelligence system. The system will be assembled at Embraer’s Jacksonville plant. Colitt (2004).

6 According to research from Weber College, there are now approximately 12,000 homes in central Florida owned by foreigners, compared to a few hundred a decade or so ago. Meanwhile, foreign buyers represent an estimated 10 to 15 percent of the lucrative South Florida real estate market, or roughly $2 billion, including about 60 percent of all condos in Miami-Dade high-rise developments. Joseph (2004a).
outlets has also provided an important stimulus for the economy.\textsuperscript{7} Together these strong trade, tourism, and investment flows have helped propel an increase in Florida’s gross state product (GSP) to $515 billion in 2003, from less than $260 billion in 1990, while creating hundreds of thousands of new jobs.\textsuperscript{8} The Sunshine State now ranks as one of the world’s 15\textsuperscript{th} largest economies – on a par with India and South Korea.

Not all Floridians, however, have benefited equally from the state’s strong economic growth and stunning transformation from a largely inward-looking, agricultural economy, to an increasingly global, diversified one. Indeed, as Bruce Nissen and David Denslow observe in their papers, some Floridians appear not to have benefited at all. The once thriving Florida tomato industry is a case in point. It has been devastated by import surges from Mexico since the implementation of the North American Free Trade Agreement (NAFTA) in 1994.\textsuperscript{9} Prior to NAFTA the state had more than 200 tomato farmers; fewer than 70 remain today.\textsuperscript{10} There can be little doubt that further trade liberalization will create additional dislocations among Florida’s farm, factory and office workers, and new sets of “winners” and “losers.”

Globalization has also meant new waves of foreign immigrants to Florida. In recent years some 4,000 foreigners have moved to the State every month along with roughly 8,000 U.S. residents from points north. As a result of this remarkable influx, Florida’s population surpassed 17 million residents in 2003, up from less than 13 million in 1990 -- a gain of nearly 25 percent. If current trends continue, Florida will overtake New York as the nation’s third most populous State by 2024.\textsuperscript{11}

While immigration has stimulated Florida’s economy by increasing demand for goods and services and added to the richness of the State’s multicultural tapestry, it has also placed new burdens on Florida’s natural resources (i.e. air quality and drinking water) and fragile ecosystem (i.e. the Everglades), as Renu Khator observes in her essay. The

\textsuperscript{7} Despite a 21 percent drop since 9/11, Florida still received 4.4 million international visitors in 2003 – tops in the nation. Sears (2004).

\textsuperscript{8} The contribution of merchandise trade, services trade, payroll at foreign owned firms, and international tourist spending now approaches 25 percent of Florida’s GSP. See Florida Chamber Foundation (2003). Meanwhile, Enterprise Florida estimates that more than one million Floridians are employed in some aspect of international business.

\textsuperscript{9} The value of Florida’s tomato crop plummeted from its pre-NAFTA peak of $729 million in 1991-92, to $442 million four years later – a decline of roughly 40 percent. Since that time, thanks to a “suspension agreement” reached with Mexico in 1996, and rising consumer demand in the U.S., tomato sales have begun to recoup lost ground. During the 2002-03 season, Florida growers sold some $550 million worth of tomatoes. Bouffard (2004a).

\textsuperscript{10} Some contend that the liberalization of the U.S. tomato market, while detrimental to Florida growers, has benefited American consumers by providing them with access to cheaper and better-tasting tomatoes, which may be healthier too, since they are vine ripened, as opposed to American tomatoes, which tend to be harvested while they are still green and ripened artificially using ethylene gas. Lukas (1998).

\textsuperscript{11} CUES (2004).
continuing population boom also threatens to exacerbate festering problems such as overcrowded schools, congested highways, and urban sprawl, thereby undermining the State’s quality of life and discouraging new businesses creation.

In the years ahead, Florida’s policymakers will need to devise creative policies that strengthen the skills of the State’s workforce and enhance Florida’s attractiveness as a hub for global business, while finding ways to absorb new waves of immigrants into the workforce, and relieving the inevitable stress on individuals, communities and the environment that accompany rapid economic growth and increased global competition. Stated differently, Florida’s policymakers will need to find ways to maximize the benefits of globalization (in the form of increased transnational flows of people, capital, goods, technology and information), while minimizing the costs.

This paper will examine the impact that globalization has had on Florida’s industry, workforce and environment, and some of the key policy initiatives that state and local governments have instituted in recent years to deal with the challenges and opportunities of this new era. It will further analyze the strengths and weaknesses of these policies and recommend possible enhancements.

I. INDUSTRY

The Impact of Past Trade Liberalization on Florida

In general terms, global trade liberalization and regional economic integration have been good for Florida industry. The often steep tariff reductions that have accompanied these trade accords, along with the removal of non-tariff barriers (NTBs), have allowed Florida producers of everything from aircraft parts to pacemakers to penetrate new markets. Moreover, Florida’s trade-related service and logistics industries have benefited from the rise in trade generated by these agreements. The accords have also stimulated large flows of inbound foreign direct investment – especially from Canada.

12 Florida industry has benefited from successive rounds of global trade negotiations under the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO), as well as from the establishment of bilateral and subregional accords such as the U.S.-Canada Free Trade Agreement (1989), the North American Free Trade Agreement (1994), and the U.S.-Chile Free Trade Agreement (2003). Florida has also been impacted – largely in a positive way – by unilateral trade schemes, such as the Caribbean Basin Initiative (Caribbean Basin Trade Partnership) and the Andean Trade Preferences Agreement, which have provided participants with preferential access to the U.S. market. Industry-specific trade agreements, such as the Beef and Citrus Agreement with Japan (1986) and the Agricultural Cooperation Agreement with China (1999) have also opened new markets to Florida exports.

13 Florida’s exports to NAFTA partners Mexico and Canada increased by 80 percent between 1994 and 2001. Among the State’s top exports in value terms were computers and electronic products, which entered the countries duty free as a result of NAFTA. See “NAFTA Delivers for Florida: 2001 Report,” Council of the Americas, September 2002. The conventional wisdom that trade liberalization benefits only large multinational companies does not seem to apply to Florida, as more than 95 percent of the State’s 20,000-plus export companies are small and medium-sized companies (i.e., with 100 or fewer employees).

14 In addition to being Florida’s second largest export market (after Brazil), and number one source of inbound tourism, Canada is Florida’s number one source of foreign direct investment, with more than $5
The results have been less favorable for Florida’s agricultural sector, which has seen only a minor increase in export sales since 1994. 15 Meanwhile, imports of fresh fruits and vegetables from low-cost producers – many of which are not bound by the same labor, environmental and food safety standards as U.S. producers – have taken a heavy toll on Florida’s small and medium-sized farmers. 16 In the case of the North American Free Trade Agreement (NAFTA), trade liberalization has proven devastating for Florida’s winter vegetable industry. Indeed, in the ten years since the accord took effect, about one-third of the State’s winter vegetable producers have gone out of business, owing largely to competition from Mexico. 17

This is not to say that there haven’t been any farm sector export success stories. Under the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), Japan and South Korea made substantial tariff reductions on a wide range of fresh and processed fruits and juices. As a result, U.S. exports of fruit juices to Japan increased by 67 percent between 1995 and 2000, while fresh citrus exports to Korea jumped 266 percent from 1995 to 2002. 18 Unfortunately, these success stories are few and far between.

While the farm sector has enjoyed only modest export success, imports of food products, such as Chilean salmon, Brazilian coffee, Colombian flowers, and Costa Rican pineapples, have generated a great deal of business for Florida’s international airports and seaports, along with the legions of shipping companies, freight forwarders, truckers, custom brokers and warehouse workers that service them. 19

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15 Florida’s agriculture sector consists of 44,000 farmers which grow 280 different commercial crops, generating annual cash receipts of over $50 billion – second only to the State’s tourism industry. Since 1994, annual agricultural exports have hovered just above $1 billion.

16 According to watchdog group Public Citizen, Florida has lost 1,000 small and medium sized farmers since NAFTA went into effect in 1994. Furthermore, it notes that total net income for farm operations in Florida increased by more than 13 percent between 1993 and 1999, but all of the income gain went to large, corporate farms. Income for non-corporate farms fell by nearly 75 percent. Public Citizen (2001).

17 It should be noted that NAFTA alone was not responsible for this unfortunate turn of events. The “double whammy” of greater market access for Mexican producers under NAFTA, along with the Mexican peso devaluation of late 1994, together priced U.S. producers out of the market. Van Sickle (2001).

18 From 1995 to 2000, Japan lowered its tariffs on to 16 percent (out-of-season) and 23 percent (in-season) on fruit juices containing not more than 10 percent sucrose by weight. Meanwhile, South Korea established a tariff-rate quota for oranges, and agreed to reduce its tariffs from 99 to 50 percent by 2004. See U.S. Department of Agriculture (2003).

19 Although data on the economic impact of such imports is scarce, one can assume that it is significant. According to a study by economist Thomas J. Murray, imports of fresh Atlantic salmon from Chile in 1996 supported more than 6,000 full-time U.S. jobs and added nearly $110 million in personal income to the U.S. economy. Florida industry benefits disproportionately from U.S. salmon imports since some 90 percent enters the country through Miami-Dade County. See Murray (1997).
The Impact of Future Trade Liberalization on Florida

Given the slow pace of trade liberalization at the global level in recent years, it is probable that future U.S. administrations, like the current one, will focus on negotiating smaller, less complex agreements – especially with Western Hemisphere neighbors. This is good news for Florida. Whereas California, Texas and other southwestern states have realized disproportionate gains from the increase in U.S.-Mexico trade since NAFTA, Florida, owing to its location and business links with Latin America and the Caribbean, is poised to reap huge dividends from the increase in U.S. trade and investment with the rest of the hemisphere.

Free Trade Area of The Americas

Among the current array of trade deals being negotiated by Washington, none is more pivotal to Florida’s future than the Free Trade Area of the Americas (FTAA). The 34-member nation FTAA would represent the world’s largest free trade area, stretching from Alaska to Argentina. It would create a market of over 800 million consumers with a GDP of over $14 trillion. The National Association of Manufacturers (NAM) has estimated that the FTAA would triple U.S. exports to the Western Hemisphere within 10 years, increasing U.S. exports to Central and South America by $200 billion. And while these numbers may be on the optimistic side, given the region’s recent economic and political turmoil, there can be no doubt that the FTAA represents a huge opportunity for Florida companies of various shapes and sizes.

Another potential boon to Florida’s economy would be a decision by the FTAA’s member nations to locate its administrative headquarters in Miami. Apart from the prestige factor, Enterprise Florida estimates that having the FTAA Permanent Secretariat in Florida could create as many as 89,000 new direct and indirect jobs and add $14 billion annually to the state’s economy.

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20 California’s exports to Canada and Mexico grew from about $14 billion in 1993 to more than $28 billion in 2001. Likewise, Texas saw its exports to NAFTA countries increase by more than 110 percent over the same period. For the U.S. as a whole, exports to Canada and Mexico grew from $148 billion to $260 billion between 1993 and 2003. Council of the Americas (2001).

21 The Washington Economics Group (2003) estimates that Florida’s trade with Latin America and the Caribbean could triple over the next 10 years, growing by a phenomenal $3.9 billion annually. This estimate assumes that the major Latin American and Caribbean economies, which have stagnated or declined in recent years, will enjoy modest growth in the coming years – an assumption that seems reasonable in light of the World Bank’s projection is that these economies will grow by 3.8 percent from 2005 to 2015.


23 For a discussion of the potential economic impact to Florida of hosting the FTAA Permanent Secretariat, see Enterprise Florida (2003a). For a critique of the methodology used to calculate the 89,000 jobs figure, see Nissen (2004).
U.S. – Central America Free Trade Agreement

The U.S.–Central American Free Trade Agreement (CAFTA), signed by President Bush in May 2004, and awaiting approval by the U.S. Congress and the Central American parliaments, also has profound ramifications for Florida. The accord would immediately eliminate tariffs on more than 80 percent of U.S. industrial exports to the six member countries,\(^{24}\) including key Florida exports such as pharmaceuticals and medical instruments.\(^{25}\) CAFTA would also eliminate tariffs on over 50 percent of U.S. agricultural exports, while opening up the market for providers of telecommunications, banking, insurance, transportation, express delivery and other services.

Among the key Florida beneficiaries of CAFTA would be makers of computers and textiles, exports of which to Central America have risen by 52 percent and 386 percent, respectively, since 1999.\(^{26}\) CAFTA would also represent a windfall for Florida’s ports and logistics companies, which already derive a considerable amount of their business from trade with these emerging markets. Indeed, a recent study commissioned by the Florida Seaport Transportation and Economic Development Council claims that container shipments between Florida and the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua represent almost 20 percent of the total container shipments across Florida docks, and one-quarter of those at South Florida seaports.\(^{27}\)

Trade Liberalization: The Winners

In addition to importers, exporters, distributors and logistics companies, Florida’s dynamic services sector is poised to benefit from further trade liberalization. According to research by Florida International University’s Institute for International Professional Services (IIPS), Florida exports of knowledge-based services, which includes tourism, legal, financial, education, health, media and information technology services, generated revenue of nearly $16 billion in 2002, resulting in more than $40 billion in direct and indirect economic benefit to the state, and supporting as many as 535,000 jobs. Further economic integration would clearly create even greater opportunities for these firms.

\(^{24}\) The CAFTA countries are Guatemala, El Salvador, Honduras, Costa Rica, Nicaragua and the Dominican Republic. The inclusion of the latter, which officially became a member in August 2004, makes CAFTA even more important to Florida, since it is the State’s number three trading partner. Two-way trade between the Dominican Republic and the U.S. amounted to $8.7 billion in 2003 and Florida enjoyed a 50 percent share of that trade. Bussey (2004).

\(^{25}\) Florida has the second-most FDA-registered medical device manufacturers in the country. More than 23,000 Floridians work in this sector, with firms specializing in the areas of minimally invasive surgery, disposable devices and supplies, orthopedic and cardiac implants, diagnostic imaging, and sterilization equipment. International markets account for more than a third of this industry’s revenues, and according to Standard & Poor’s, the worldwide market for such devices is expect to grow by 12 to 15 percent annually for the next several years. Enterprise Florida (2004).

\(^{26}\) Federal Reserve Bank of Atlanta (2004).

Trade Liberalization: The Losers

Unfortunately, further trade liberalization is likely to mean additional hardships for Florida’s independent farmers – especially those that cultivate the tropical fruits and winter vegetables also grown in Mexico and other countries throughout the hemisphere. These small-scale producers have suffered in recent years from low commodity prices, growing debt and lack of credit. Now they face the even greater challenge of head-to-head competition with lower cost producers from developing countries. Also at risk are the State’s large sugar cane and citrus industries.

Sugar and Citrus

Employing over 100,000 people and generating an annual economic impact of more than $12 billion, sugar and citrus (along with tourism and aerospace) have long been cornerstones of the Florida economy. Despite having production costs that greatly exceed those of many foreign suppliers, these two industries have thrived in recent decades due to a complex system of tariffs and quotas that have kept imports low and prices relatively high.28

While sugar and citrus have managed to escape recent bilateral and regional trade negotiations with these arrangements largely intact,29 many observers believe their protections will be scaled back or eliminated as a quid pro quo for the removal of barriers to U.S. manufactured exports.30 In the case of sugar, liberalization would likely mean greater imports from lower cost producers in Central America and Brazil.31 In the case of citrus, Florida growers would likely cede a sizeable share of the $9 billion U.S. orange juice market to Brazil, which currently claims about half of the world market.32

28 For a critical review of U.S. sugar policy, see Groombridge (2001). For a discussion of U.S. citrus policy as it relates to Florida, see Bussey (2002).

29 Sugar was taken off the table in the U.S.–Australia Free Trade Agreement despite strong protestations from Australia which is among the world’s most efficient producers, while imports under CAFTA would be kept to a small fraction of the total U.S. market. On Australia, see Lukas (2004). On CAFTA, see Office of the United States Trade Representative (2004).

30 In addition to the charges of “hypocrisy” leveled by Brazil and other U.S. trade partners on account of the U.S.’s sugar quotas and orange juice tariffs, a growing chorus of domestic manufacturing and farm groups are weighing in against these policies, claiming that they are damaging their efforts to gain greater access to foreign markets. The president of the National Confectioners Association, for example, recently testified before Congress that the U.S. corn industry received a worse deal than it would have in the CAFTA negotiations had sugar quotas been fully lifted. See Graham (2004).

31 A recent WTO ruling in favor of Brazil in a case it brought against the European Union’s sugar subsidies is likely to further help Brazil’s sugar industry. If upheld, the ruling could encourage the country, which already supplies nearly one-fifth of the world’s sugar, to more than double its farmland to 25 million acres – an area roughly the size of Cuba. Clendenning (2004).

32 In reality, the Brazil and Florida juice industries are becoming increasingly integrated. In recent years, Brazilian producers such as Cutrale and Citrosuco have made heavy investments in Florida processing
Not all observers, however, believe that increased trade liberalization will doom Florida’s citrus industry – as maintained by Florida Citrus Mutual, a trade association representing 11,000 of the State’s orange and grapefruit growers. Some contend that greater competition would force these industries to innovate and develop new products and/or markets. For example, not-from-concentrate (NFC) orange juice, a premium product developed by Florida growers, has been a huge success in the U.S. and Canadian markets, with consumption tripling between 1990 and 2000.33

Florida citrus also stands to benefit from the opening of new markets in Asia. The 1999 bilateral Agricultural Cooperation Agreement with China, for example, removed barriers to the export of Florida grapefruit to the world’s most populous nation.34 Additionally, a March 1999 agreement opened citrus markets in India for mandarins, clementines, lemons, and grapefruit. With nearly two-fifths of the world’s population and growing middle class consumers, China and India clearly represent lucrative potential markets for Florida citrus.

**Textiles and Apparel**

Florida’s textile and apparel trade, dominated by production-sharing arrangements between U.S. manufacturers and Central American and Caribbean contractors, is also under threat. The immediate concern is the January 1, 2005 phase out of global apparel quotas. Once the quotas are removed, low cost producers in China and India are expected to increase their share of the $83 billion U.S. imported textiles and clothing market, at the expense of Latin American, Caribbean and other comparatively higher cost producers.35 According to one study, nearly 50,000 direct, indirect and induced Florida jobs related to textile manufacturing are jeopardized by the pending quota changes.36

Florida’s best opportunity to maintain these jobs may be the passage of CAFTA, since the accord would offer producers in the Americas duty-free benefits which, when coupled with lower transportation costs and shorter turnaround times, would help offset some of the price advantages and economies of scale that China and India will enjoy after the

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33 The popularity of NFC juice with North American consumers has enabled Florida’s processed orange industry to differentiate its product from the competition and insulate itself somewhat from import competition, since transportation of this product to North America from Brazil is cost prohibitive. Spreen and Muraro (2000).

34 While Florida growers seeking to export to China face considerable logistical and bureaucratic hurdles, the long term outlook is promising. Lane (2000).

35 One U.S. clothing executive recently predicted that China will increase its share of the U.S. apparel import market from 13 percent at present to more than 80 percent by 2010. Wall Street Journal (2004).

quota phase-out. To qualify for duty-free treatment, clothing assembled in CAFTA countries would have to be made of fabrics primarily manufactured in participating countries, as well as Canada and Mexico, under the accord’s “cumulation” provisions.

**The Role of Public Policy**

In addition to working to create an attractive business climate for investors and entrepreneurs by cutting taxes and streamlining bureaucracy, the State of Florida has undertaken various initiatives in recent years to help local industry capitalize on new business opportunities created by trade liberalization and globalization. These include developing and funding innovative programs to market Florida goods and services to overseas customers, strengthening relationships with foreign states and sister cities, and undertaking a vigorous campaign to “sell” Miami to hemispheric trade partners as the ideal venue for the FTAA Permanent Secretariat.

**Executive Office of the Governor**

While local and regional entities have played an important role in crafting and implementing policies to promote international trade and investment, the locus of activity in the State of Florida has been at the state level, within the Executive Office of the Governor.\(^{37}\)

Since taking office in 1999, Governor Jeb Bush has been a particularly strong advocate of international engagement. His strategic objectives have included cementing Florida’s position as the gateway to Latin America and the Caribbean and diversifying the State’s economy and trading relationships. To do so, he has worked to strengthen cultural, diplomatic, academic and commercial relationships with foreign governments and

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\(^{37}\) The Governor’s Office of Tourism, Trade and Economic Development (OTTED) coordinates statewide economic development policy. Managing an annual budget of more than $120 million, OTTED administers funds for the State’s financial incentive programs and the public-private organizations that promote Florida’s exports, tourism industry and workforce development.
overseas entities.\textsuperscript{38} He has also led scores of foreign trade missions,\textsuperscript{39} and spearheaded the campaign to attract the FTAA Permanent Secretariat to Miami.\textsuperscript{40}

**Enterprise Florida**

Created in 1996 to coordinate and manage statewide economic development efforts, Enterprise Florida, Inc. (EFI) has been a key component of the state’s international strategy. The successor to the Florida Department of Commerce, EFI undertakes a variety of initiatives to promote Florida exports, inward foreign direct investment and build the State’s image abroad as a hub for global business.

On the export promotion side, EFI’s Miami-based International Trade and Business Development unit links local firms with overseas partners through its Electronic Trade Leads Network and Floridaproducts.org online portal. EFI also offers export counseling to Florida manufacturers and service companies and organizes regular overseas business missions and inbound buying missions that help expand markets for Florida products and services.\textsuperscript{41} Furthermore, EFI represents Florida industry at major international trade exhibitions and maintains more than a dozen offices outside the country, in cities such as Taipei, Madrid, Sao Paulo, and Mexico City.

On the investment promotion side, Enterprise Florida partners with regional groups such as Florida’s High-Technology Corridor Council and a wide range of local chambers of commerce and economic development entities including the Beacon Council, the Broward Alliance, and the Tampa Bay Partnership to attract clusters of high-value-added

\textsuperscript{38} International programs and entities supported by the State of Florida include the Florida Association for Volunteer Action in the Caribbean and the Americas, Inc. (FAVACA), the Gulf of Mexico States Accord, the Southeast U.S./Japan Association (SEUS/Japan), and the Florida-Korea (FLOR/KOR) Economic Cooperation Committee. The State of Florida has also maintained one of the most active Sister City and Sister State programs in the country. For a good discussion of how Florida and other states are using cultural exchanges to promote business, see NGA Center for Best Practices (2003).

\textsuperscript{39} As of August 2004, Governor Bush had led trade and business development missions to Argentina, Brazil, Canada, Chile, Costa Rica, El Salvador, Dominican Republic, Guatemala, Honduras, Israel, Nicaragua, Mexico, Spain, the United Kingdom and Uruguay.

\textsuperscript{40} In 1999, the State created FTAA, Inc., a public-private partnership dedicated to raising financial support for Miami’s bid for the FTAA secretariat. The organization, which was initially housed inside the Florida Department of State’s Office of International Affairs, was reorganized in 2002 and put under the direction of OTTED.

\textsuperscript{41} More than 1,000 business leaders have participated in EFI’s “Team Florida” trade missions since 1999, generating over $575 million in new business. In 2003, EFI organized meetings between Florida medical manufacturers and visiting Brazilian buyers, led a trade mission to the annual global medical market in Dusseldorf, Germany, and arranged a very large trade mission to the Dominican Republic led by Governor Jeb Bush which generated nearly $100 million in business for Florida companies.
business to the State. Among the most important tools at its disposal are incentives and tax rebates.\textsuperscript{42}

**Recent International Relocations**

- Allied Research International (ARI), an Ontario-based medical research firm that does FDA-approved research for pharmaceutical companies, announced in July 2004 that it would establish a research facility in Miami Gardens, inside one of Miami-Dade county’s enterprise empowerment zones. The firm plans to invest $1.5 million in the area and hire at least 50 local professionals, paying average salaries of $50,000. The company’s short list of cities included Miami, Atlanta, and Buffalo. It decided on Miami based on a number of criteria, including diversity of population, quality of workforce, quality of life, and infrastructure (including proximity to international airports, seaports and top notch research universities). The clincher, however, was an agreement by the state and county to offer the company Qualified Target Industry incentives of up to $300,000 a year.\textsuperscript{43}

- In June 2004, Singapore-based Tanker Pacific Management, which specializes in transporting petroleum by sea and managing offshore storage terminals, announced plans to establish its North and Latin American headquarters in Miami. The company, Singapore’s largest privately owned tanker operator, plans to create 30 new full-time jobs within the first three years of operation with an average salary of $100,000. It has already leased a 4,000 square foot facility on Brickell Key and plans to make capital investments of $300,000. Other cities that were under consideration by the company were Houston, Dallas, New York and Stamford, Connecticut. While Houston with its booming oil industry had the inside track, a generous package of incentives offered by state and local governments helped swing the decision in Miami’s favor.\textsuperscript{44}

**International Services**

Another top policy priority in recent years has been assisting Florida service providers to establish new export markets. In 1997, the State launched the International Services Network (ISN), a statewide partnership created by the Greater Miami Chamber of Commerce and Enterprise Florida. Funded in part by the U.S. Department of Commerce, the U.S. Commercial Service, FIU’s Institute of International Professional Services

\textsuperscript{42} The State’s three major incentive programs for attracting and retaining companies include the Qualified Target Industry Tax Refund Program, which provides for a tax refund of up to $3,000 per new job created (up to 6,000 in an Enterprise Zone) by qualifying businesses and the Quick Response Program, which provides customized start-up training grants that average $700 to $1,000 per employee. The Economic Development Transportation Road Fund Program, meanwhile, can provide up to $2 million for public transportation improvements as an inducement for a company’s expansion and relocation.

\textsuperscript{43} Author Interview with Pamela Fuertes, Manager, International Economic Development Programs, The Beacon Council.

\textsuperscript{44} Ibid.
(IIPS), and private sector partners, ISN offers a wide variety of services, including a Web-based database (efloridabusiness.com) replete with profiles of thousands of service providers classified by specialty. Since its inception the ISN has assisted close to 5,000 companies.

The Greater Miami Chamber of Commerce’s Americas Linkage program has been another important international initiative. Established in 2000, the program facilitates business between Florida service providers and Latin American and Caribbean companies through twice yearly business missions to and from Miami. The centerpiece of the program is the partnership with American Airlines, which offers deeply discounted airfares to participants. Since its inception, Americas Linkage has generated more than $600 million in trade services business for Florida firms providing accounting, architecture and design, consulting, financial, legal, engineering, and other professional services.

**Agriculture Promotion**

The State of Florida has also worked to promote its agricultural exports through the Department of Agriculture and Consumer Services (FDACS) Division of Marketing and Development. In addition to its successful “Northern Exposure” campaign, which has targeted the Canadian provinces of Ontario and Quebec, along with markets in the Northeastern U.S., the Department has helped establish thriving export markets in Europe and Asia for Florida grapefruit. Thanks in part to its efforts, the U.S. exports about twice as much grapefruit as it sells on the domestic market, and overseas demand has remained robust despite a sharp decline in U.S. demand in recent years.\(^{45}\)\(^{46}\)

**Policy Recommendations**

While the State of Florida, as detailed above, has developed innovative policies to maximize the benefits of trade liberalization for local industry, it has arguably done too little in key areas vital to the State’s continued international competitiveness.

**1. Modernizing the Seaports and Global Trade Infrastructure**

Florida’s seaports are the backbone of the state’s trade-dependent economy. The State’s 14 deepwater ports handle over 110 million tons of cargo each year, representing 65 percent of Florida’s merchandise trade. According to the Florida Seaports Council, the seaports provide direct employment opportunities for nearly 90,000 people and have an economic impact of $35.3 billion.

\(^{45}\) According to statistics from the Florida Department of Citrus export shipments of fresh grapefruit are forecast to reach almost 20 million cartons in 2003-04 – about twice that of domestic shipments. Brown (2003).

\(^{46}\) Grapefruit’s appeal among U.S. consumers has sharply declined in recent years due in part to a 1989 medical finding that an enzyme found in the fruit and its juice causes certain medicines to enter the bloodstream at higher doses than recommended. Hoag (2004).
Unfortunately, many of the State’s port facilities are ill-equipped to handle present cargo volumes – not to mention the increase that would accompany further trade liberalization and global economic growth. The need to conduct closer scrutiny of incoming containers in the aftermath of 9/11 has only exacerbated the situation, causing delays and raising operating costs for manufacturers, importers and cargo carriers.

According to a 2003 survey of South Florida importers by FIU’s College of Business Administration and the Greater Miami Chamber of Commerce, nearly one-third of respondents said it takes on average as much as three to six days longer for their cargo to clear U.S. Customs at the Port of Miami since September 11, 2001. This is largely due to the sheer increase in the number of incoming containers being flagged for “intensive” inspections, as U.S. Customs and Border Protection (CBP) moves to increase its inspection rate from 2 percent prior to September 11, 2001, to upwards of 10 percent.

In addition to disrupting supply chains, the increase in inspections has meant additional stevedoring, trucking and storage expenses, missed deliveries, damaged goods, and, in some cases, rejected shipments. Consequently, a number of companies surveyed said they are considering moving their operations to an alternative domestic or foreign port – a worrying figure given that the Port of Miami alone accounts for more than 45,000 jobs and $8 billion in economic activity.

Given the present budgetary pressures at the federal, state and local level, Florida will need to find creative ways to enhance security at its ports, while keeping commerce flowing. A good starting point would be to implement the recommendations put forth in a November 2003 report commissioned by the Florida Seaport Transportation and Economic Development Council.


48 According to the Port of Miami Terminal Operating Company (POMTOC), one of three stevedores operating at the port, prior to September 11, most cargo pre-cleared and just 75 containers a month were manually inspected. As of September 2003, Customs was conducting “intensives” on 1,200 containers monthly. Wernick (2003).

49 Contracts between buyers and suppliers often contain provisions which permit buyers to refuse or receive discounts on late-arriving shipments.

50 Florida must not take its de facto position as Gateway to the Americas for granted. Atlanta, among other cities, is vying for a larger piece of the Latin America pie. According to a recent article in Georgia Trend, members of Atlanta’s business community believe Florida’s physical proximity to Latin America is no longer the advantage it once was, since modern cargo planes can travel far beyond those of decades past. Moreover, although Miami is closer in geographic terms to where many of the goods originate, Atlanta is much closer to their final destination, in the case of markets in the Southeast, Midwest and East Coast. Davidson (2004).

51 The report recommends that the State advocate permitting reputable third party companies to inspect goods at their point of origin to speed the flow of goods across borders. It also recommends the creation of cargo fast lanes, greater use of electronic tracking and monitoring systems for in-transit shipments, and the...
2. Enhancing Incentive Programs to Attract Global Investment

While Florida’s efforts to attract and retain global investment are facilitated by the State’s favorable business climate, including comparatively low labor costs and a low tax base,\(^52\) it is handicapped by an incentive program that is less generous than those offered by several competitor states. Worse yet, two of its most important programs – the Qualified Target Industry (QTI) and Quality Defense Corporation (QDC) tax refund programs – were nearly allowed to expire in 2004; another saw its appropriation halved in 2003.\(^53\)

The QTI, as detailed above, has been particularly important in recruiting foreign firms to the State. Since its inception in 1995, the program, which is limited to businesses serving multi-state or international markets, has led to the creation of more than $6 billion in private sector capital investments and resulted in a 10 year payback ratio of $12.59:$1.\(^54\) For Florida to maintain its competitiveness with other U.S. states and foreign locales as a destination for foreign direct investment, it is essential that all current incentive programs be maintained with full funding.\(^55\) Meanwhile, new programs, such as the proposed $190 million Economic Investment Mega Fund, should be implemented to assist in recruiting and retaining global companies.\(^56\)

3. Promoting Agricultural Diversification and Exports

As further trade liberalization leads to increased competition for Florida’s low-end agricultural products in the U.S. marketplace, it is critical that the State’s farmers cultivate new markets both at home and abroad for traditional and non-traditional products. Unfortunately, not only are international marketing efforts for agriculture sorely under-funded, the Florida Department of Citrus recently proposed slashing expanded use of inland and coastal waterways to reduce congestion on Florida’s main highway corridors. See The Washington Economics Group (2003).

\(^52\) The nonpartisan Tax Foundation (2003) ranks Florida, which is one of only seven states with no personal income tax, as the seventh-most tax friendly state in the country.

\(^53\) Funding for the Economic Development Transportation Fund, which awards monies to eliminate transportation impediments that adversely affect a company’s location or expansion decision, was halved in 2003 to $10 million.

\(^54\) Enterprise Florida (2003b).

\(^55\) As EFI observes in its 2003 Incentives Report, the perception that incentives are unreliable or that appropriated funds might be exhausted before the end of the fiscal year is a “major concern” in the economic development process.

\(^56\) As a point of comparison, Texas established its $295 million Enterprise Fund in September 2003 to help attract global investment. The Fund reportedly played an important role in Texas Instruments’ decision to build a $300 million wafer fabrication plant in the state. Heiges (2003).
additional funding for international marketing of grapefruit juice – one of the State’s few bonafide export success stories.\textsuperscript{57}

Meanwhile, Florida producers have been slow to develop value-added agricultural products geared toward “niche” markets. One notable exception is Brooks Tropicals, Homestead’s largest tropical fruit grower, which has spent several years developing its “Slimcado” avocado. With about a third of the calories and half the fat of the Hass variety grown in Mexico and California, the Slimcado has built a loyal following among health-conscious consumers in the Northeast and its sales have withstood import competition.\textsuperscript{58}

In looking to expand its sales of value-added agricultural products, Florida would benefit from a close examination of what other farming states have done in this regard. The Illinois Council for Food and Agricultural Research (C-FAR), for example, has created a special research initiative (SRI) to investigate the production and marketing of alternative crops and other means of improving farm incomes and strengthening rural communities. Its efforts have already borne fruit; the percentage of Illinois farmers producing value-added crops rose by 60 percent during the first two years of the program and the Midwestern state has become a leader in the sale and export of a variety of value-added products including lean pork and low saturated fat soybeans.\textsuperscript{59}

Florida’s efforts to expand its farm exports are greatly assisted the State’s brand name recognition and international reputation for quality. This is a tremendous asset in Asian and European markets, where consumers tend to be demanding but willing to pay a premium for superior quality food products.\textsuperscript{60}

\textbf{4. Working for CAFTA Ratification}

While the State of Florida has actively supported the FTAA and Miami’s bid to house its administrative headquarters, it has been less energetic in its advocacy of CAFTA – an agreement that, as detailed above, would bring significant economic benefits to the State.\textsuperscript{61}

\textsuperscript{57} Bouffard (2004b).

\textsuperscript{58} For more on the “Slimcado,” see \textit{The Miami Herald} (2004). Another promising “niche” product being developed by Florida growers is the low-carb potato, which has 30 percent fewer carbohydrates than the average Idaho-grown Russet Burbank. Goodnough (2004).

\textsuperscript{59} Swanson, et al. (2001).

\textsuperscript{60} Compared to Americans who spend roughly 10 percent of their income on food, Europeans spend 25 percent and Japanese one-third. Not surprisingly, the organic foods market in these countries is also growing very quickly, suggesting another promising avenue for Florida growers. Ferguson (2004).

\textsuperscript{61} While the potential economic benefits of CAFTA pale in comparison to those of the FTAA, so do the political hurdles, since far fewer countries are involved, and the threats to entrenched U.S. interests from these small economies are far less acute than those posed by an economic powerhouse like Brazil.
While the “upside” of CAFTA for Florida is clear and compelling, the downside of not getting the agreement has received scant attention. A recent study by a Louisiana State University economist suggests that failure to conclude CAFTA would mean a decline in overall business activity in that state of more than $300 million, a loss of more than 3,200 jobs, and a loss of household earnings on the order of $75 million.\(^{62}\) Given that Florida’s trade with the CAFTA countries greatly exceeds Louisiana’s, one can assume that the opportunity costs to Florida of not getting CAFTA would be far greater.\(^{63}\)

In addition to leading the charge for CAFTA, in tandem with national organizations such as Caribbean-Central America Action, the Council of the Americas and The Business Roundtable, Florida might consider lending its support to an innovative initiative put forth last year by four associations of U.S. textile and apparel importers and retailers. This initiative, dubbed the Textile Revitalization Act, seeks to assist the U.S. textile industry and its Central American and Caribbean production partners not by protection, but through tax breaks, targeted government assistance and further trade preferences.\(^{64}\)

5. Meeting the Homeland Security Challenge

Florida has also been slow to grasp the potential threats to its economic livelihood posed by post-9/11 homeland security initiatives.\(^{65}\) These measures have slowed the globalization process by making it more difficult for people, goods and money to cross borders. As a trading state, Florida should be at the forefront of efforts to identify remedies and articulate a coherent strategy for balancing the need for rigorous security with the need for a robust economy.\(^{66}\)

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\(^{62}\) Richardson (2004).

\(^{63}\) The possibility of not getting CAFTA, coupled with a sharp rise in apparel imports from China beginning next year, would result in the bulk of America’s clothing imports entering the country via West Coast ports, to the great detriment of the Florida economy. Moreover, since the Central American countries spend more than 80 cents of every export dollar they earn buying U.S. imports (vs. pennies on the dollar for Asian countries), failure to achieve CAFTA would have severe repercussions for U.S. exporters.

\(^{64}\) Kristi (2003).

\(^{65}\) In the three years since September 11, 2001, Congress has passed a series of laws aimed at protecting the nation from another terrorist attack, among them, the USA Patriot Act, the Aviation and Transportation Security Act, the Maritime Transportation Security Act, the Bioterrorism Act, the Enhanced Border Security and Visa Entry Reform Act, and the Homeland Security Act, which brought together 22 separate government agencies under the aegis of the Department of Homeland Security (DHS). Additionally, the State Department has instituted stringent new rules and procedures for international travelers seeking to visit the United States. Wernick (2003).

\(^{66}\) Governor Bush’s “Road Map to Florida’s Future,” released in February 2004, cites dealing with the “unintended consequences of homeland security measures” as a top priority, and tasks EFI’s International Business Council to evaluate the issues and recommend remedies. However, given the importance of international trade, tourism and services to Florida’s economy, these efforts are too modest.
The tightening of U.S. travel and immigration policies since 9/11 has had a huge impact on Florida’s $50 billion a year visitor industry. Miami’s visitor industry has been particularly hard hit; retail outlets, language schools, universities, and hospitals, have also felt the pinch.

Among the most damaging of these post-9/11 policies for Florida’s service industries has been the rule handed down in May 2003 by the U.S. State Department, that virtually all prospective visitors from countries requiring visas – which include all of the Latin American and Caribbean countries – undergo in-person interviews at overseas consular offices.

While sensible in theory, the new rule has been imposed without significant additional resources for the already overburdened U.S. consular offices, thereby leading to serious processing delays and backlogs. Indeed, prospective visitors from several Latin American and Caribbean countries may have to wait six months or more just for an interview.

The problem is particularly acute in Brazil, one of Florida’s top five overseas visitor markets (and Miami-Dade’s number one and Orlando’s number two market), where a mere three consulates and one embassy service a continent-sized country with 170 million people. According to the Travel Industry of America, Brazilians spend roughly $600 more per visit to the U.S. than the average international tourist, making them particularly valuable customers. Unfortunately, Brazilian travel to the U.S. is down by 65 percent during the past three years. While some of this decline is attributable to devaluation and recession in Brazil, the economic downturn does not seem to have discouraged Brazilians from flocking in record numbers to the EU, where a visa can be obtained quite easily.

67 While international visitors represent only about 7 percent of the state’s total tourism market, they are a particularly important segment, as these visitors tend to stay longer and spend more money than their domestic counterparts. The new security regulations, particularly the reorganization of the International-to-International and Transit without Visa programs, reportedly played a major role in the decision by Spain’s Iberia Airlines to stop using Miami International Airport as a connecting hub for daily passenger service between Madrid and Central America, starting October 1, 2004. Instead, Iberia will fly directly to and from the region. In addition the Spanish carrier intends to reduce from two to one its daily departures from Miami to Madrid. As a result of these changes, Iberia plans to halve its Miami workforce. For more on this issue, see Seemuth (2004a).

68 For the impact of these policies on South Florida, see Wernick (2003).

69 Prior to 9/11, “low risk” visa applicants were routinely allowed to apply through the mail or travel agencies.

70 Travel Industry Association of America (2003).

71 The impact on Florida of this decline is disproportionate to other states since nearly half of Brazilians visiting the U.S. have Florida as their destination. See Gorman (2002).
Florida’s hospitals catering to international patients have also been adversely affected by the new visa policies. According to one estimate, 55 percent of all Latin American patients coming to the U.S. for medical treatment come to Miami – up about 35 percent a decade ago. A significant number also seek treatment in the Orlando, Tampa and Jacksonville.

Baptist Health Systems in Miami, which is among South Florida’s largest private sector employers, treats some 10,000 international patients a year. Most come for expensive procedures and tend to pay cash (not deeply discounted rates through HMOs or Medicare). These patients often bring one or more family members with them and stay for weeks at a time, generating business for hotels, restaurants, rental car agencies, etc. Prior to 9/11, Baptist’s international business was growing by a stunning 20 to 25 percent a year. Since 9/11, its international business has been flat or growing by a few percent a year. Part of reason, say hospital executives, is difficulty getting visas for patients.

Policy Recommendations:

1. Given the fundamental importance of international – and particularly hemispheric – trade to the Florida economy and the welfare of its citizens, the state should continue to make advocacy for the FTAA and Miami’s bid for its permanent secretary top priorities, while making the passage of CAFTA a key objective.

2. Given that Florida’s airports and seaports are the foundation of the State’s trade-dependent economy, the State should increase funding to these entities to help them meet the dual challenges of increased cargo volume and increased federal security demands.

3. Given that Florida’s prosperity depends on the expeditious movement of people, goods and money across borders, it should become a strong advocate at the national level for a better balance between national security and business facilitation.

4. Given that Florida’s farm sector remains critical to the State’s economy and livelihoods of hundreds of thousands of its citizens, the State should provide additional funding to promote Florida’s agricultural exports overseas and assistance to those interested in developing non-traditional crops.

5. Given that foreign direct investment is a critical economic engine and job creator, the State should fully fund existing incentive programs for attracting and retaining foreign companies, and considering offering new inducements.

72 LatinCEO (2002).

II. WORKFORCE & PHYSICAL ENVIRONMENT

The Impact of Globalization on Florida’s Workforce & Physical Environment

While trade liberalization and globalization, on balance, have been beneficial for Florida industry, their impact on the State’s workforce has been more ambiguous. On the positive side, increased trade and investment flows have created new opportunities for skilled workers to obtain high-paying jobs with multinational companies and trade-related service providers.74 Immigration to the State has also supported hundreds of thousands of good paying jobs in healthcare, real estate, and banking and finance, as well as countless entry-level jobs in the hospitality and retail industries. Unfortunately, as Nissen and Denslow observe, globalization has also meant job losses and lower wages for many categories of less skilled workers.75 Furthermore, even highly skilled workers are experiencing greater job insecurity given the relative ease with which employers can now “offshore” jobs to other countries.76

Globalization, as Khator observes, has also created considerable strains on Florida’s physical environment. Unchecked growth has been particularly harsh on the Everglades, which as a result of the encroachments by land developers, today is half its original size. Furthermore, wildlife populations are declining throughout the State and flora and fauna are vanishing. Other problems associated with the rapid growth include beach erosion, red tide, deterioration in air and water quality, depletion of drinking water supplies, overcrowding of schools, and traffic congestion. Indeed, the average South Florida driver spends 42 hours each year stuck in traffic. And things are likely to get worse for South Florida motorists before they get better; the region’s population is projected to increase by nearly 2 million in the next 15 years, adding over 1.2 million new vehicles to its already crowded highways.77

74 A recent study by The Washington Economics Group calculates that jobs in Miami-Dade County’s international trade sector pay average salaries of $41,700 – 16 percent more than the county’s average wage. Suarez (2004).

75 Contrary to the tenets of free market orthodoxy, which claims that the “creative destruction” caused by free trade will result in greater economic efficiencies and better paying jobs, labor advocates contend that many U.S. workers who have lost high wage, manufacturing jobs have only found new work in service sector positions that typically pay between one-quarter and three-fourths less than their previous jobs and offer few or no benefits. Public Citizen (2003a).

76 While offshoring (i.e., the movement of jobs overseas by U.S.-based companies to take advantage of cheap labor) has received tremendous media attention in recent months, “inshoring” (i.e., the creation of jobs in the U.S. by the subsidiaries of foreign multinational companies) has been largely overlooked. According to the Washington D.C. based Organization for International Investment (2004), more than 50,000 Florida manufacturing jobs owe their existence to inshoring, out of a total of 303,000 statewide jobs created by foreign multinationals.

77 For a good discussion of these issues as they related to South Florida, see CUES (2004). For a statewide perspective, see Florida’s Growth Management Study Commission (2001).
Another negative consequence of globalization is urban sprawl. A 2001 study using U.S. Census data ranked Tampa-St. Petersburg-Clearwater as the eighth most sprawling urbanized area in the United States. The problem is also afflicting South Florida, where new urban developments have sprung up to accommodate the State’s new residents—some bordering ecologically sensitive areas.

One of the new urban boomtowns is the city of Weston in Broward County, which has become a favored spot for Colombians, Venezuelans and Argentines fleeing economic and political turmoil at home. The city, which sits on the edge of the Everglades, did not have a single resident before 1985. It now has roughly 65,000, having grown by a blistering 25 percent between 2000 and 2002—the sixth fastest rate in the nation. Another Broward County boomtown that has received an influx of immigrants from Latin America and the Caribbean is Miramar. The city barely had 40,000 residents in 1990. Today it has over 90,000—more than Miami Beach, West Palm Beach or Boca Raton.

Offshoring: The First Wave

The first wave of offshoring to affect Florida began in the mid-1990s following the implementation of NAFTA. More than 35,000 Florida jobs were lost between 1993 and 2002 due to the trade accord with Canada and Mexico, according to a study by economist Robert E. Scott for the Economic Policy Institute, a pro-labor Washington, D.C. think-tank. Low-skill, low wage factory jobs, such as those in the State’s textile and apparel industries were among the hardest hit. For example, clothing-maker VF Corp., closed its Florida Panhandle brassiere plant in 1999 and moved production to Mexico, resulting in the loss of 541 jobs. That same year Russell Corp. closed two sewing plants in the Panhandle town of Marianna and transferred the work to Mexico, leaving 380 people without jobs (closure of another Russell factory in Marianna in 1998 resulted in the loss of 135 jobs).

Offshoring: The Second Wave

Owing to the advent of the Internet, instant messaging and other communications innovations, along with the sharp decline in international long-distance calling rates, a global labor market for data processing and other “back office” functions began to emerge during the late 1990s. The result: thousands of U.S. call center jobs have migrated abroad and many more are expected to follow suit in the future.

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78 Smith (2001).
80 Denslow (2004) exposes a number of weaknesses in Scott’s methodology, although he concurs with Scott’s general conclusion that NAFTA has been a net job loser for the State of Florida.
81 For excellent accounts of the impact these plant closures have had on the local community, see Swasy (1999 and 2001).
The potential impact of this second wave of offshoring on Florida is considerable, given the State’s high concentration of call centers, particularly in South Florida, Jacksonville and the Tampa Bay areas. Indeed, last year Sykes Enterprises of Tampa announced plans to close some U.S. call centers, while quadrupling its India-based workforce. Likewise, The Answer Group announced plans in 2002 to cut up to 1,200 jobs at its North Lauderdale call center because Hewlett-Packard, a top client, decided to reorganize its technical and customer service operations and shift much of the work to India.

Meanwhile, an increasing number of higher-end, white-collar U.S. jobs in software programming, engineering, accounting, and finance have also begun to move offshore to take advantage of huge salary differentials and the ability to operate on a 24-hour a day basis. This exodus represents offshoring’s third wave.

**Offshoring: The Third Wave**

Among the most vulnerable of Florida’s major industries to the next wave of offshoring is banking and financial services. Comprising nearly 10,000 institutions, including securities dealers and insurance companies, this sector provides well remunerated jobs for some 300,000 Floridians.

In recent years, Citigroup and JP Morgan Chase have been among the big name Florida banks that have offshored software development to India and other low-wage locations. Small and medium-sized financial firms have also been getting into the act. Ocwen Financial Corp., which once had nearly 1,000 employees at its Palm Beach headquarters, now employs more workers in Bangalore and Mumbai (formerly Bombay) than in West Palm Beach. Most of the firm’s Indian employees are college graduates, including 80 software developers, along with workers in residential loan servicing, human resources, accounting and risk management. Rather than migrating up the “food chain” to more knowledge- or skill-based functions, the company’s U.S. employment is reportedly being downgraded with "a greater concentration of clerical-level employees."

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82 Among the Fortune 500 companies with call center facilities in Florida are America Online, Ford Motor Credit and American Express Travel-Related Services. According to Enterprise Florida, the roughly three dozen call center operations established in Florida since 1999 have created more than 17,000 jobs and account for nearly $300 million in project capital investment. Garcia (2002).

83 Sykes reportedly advertised for 150 jobs in India at salaries of $174 a month and received 6,000 applications. Trigaux (2003).

84 A.T. Kearney estimates that U.S. financial services companies will offshore half a million jobs, or about 8 percent of their workforce, over the next five years. Likewise, Celent Communications predicts that as many as 2.3 million American jobs in the banking and security industries could be lost to offshoring over the long term. Given Florida’s large banking and financial services industry, the ramifications could be huge. Rai (2004).

85 According to the Bureau for Labor Statistics, the average annual salary for a job in Florida’s financial services sector is roughly $46,000. See Joseph (2004b).
Real estate, another of Florida’s economic mainstays, is also vulnerable to offshoring. Thus far, most of the jobs sent overseas at the national level have been in mortgage lending, with its high volume of easily replicated loan setup and servicing functions. But experts believe the next target may be the increasingly automated transaction management process that's largely the province of brokers, independent contractors, and title companies. As one industry executive observes: "If it can be done over the Internet and using scanned documents, then the job can be offshored."86

**Immigration**

Another aspect of globalization with tremendous implications for Florida’s workforce and environment is immigration. The sharp rise in foreign immigration to the State in recent years has dramatically altered Florida’s social and ethnic composition. According to the 2000 Census, over 2.5 million Floridians – roughly 17 percent of the State’s population – were born outside of the country. This figure represents an increase of more than 60 percent since 1990.87 While the majority of foreign immigrants continue to settle in Miami-Dade County,88 a growing number are heading north to Broward and Palm Beach counties.89

There is a heated public debate over whether immigration is a net plus or minus for the U.S. economy. Opponents, as Nissen observes, claim that immigrants tend to drive down wages for native born workers and absorb more from the State in services than they pay back in taxes. Proponents, meanwhile, point with admiration to the strong “work ethic” that many immigrants possess and attempt to debunk the myth that these new arrivals are lazy mendicants.90

In the case of Florida, where immigrants have helped establish scores of thriving enterprises and manage some of the state’s largest companies, there can be little doubt that immigration has had positive economic effects. Moreover, since many of Florida’s

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86 Mortgage lenders can hire eight or nine times as many employees in India as they can in the U.S. for the same amount of money, and in many cases that staff is better educated. Moreover, thanks to geography (New Dehli is 10.5 time zones from the East Coast), lenders sending work to India can take advantage of what amounts to a second shift in a 24-hour day. "When you're dealing with millions of dollars in a commercial transaction, having analysts who can turn around due diligence on a loan by the next morning gives you a big competitive advantage," says one industry executive. Freedman (2004).

87 The Census Bureau estimates that in 2000, there were more than 4.5 million Floridians of “immigrant stock” (i.e., immigrants and their U.S.-born children). This figure represents more than one-quarter of the State’s total population.

88 A recent study by the United Nations found that Miami has the highest percentage of foreign-born residents (59 percent) of any major world city. Leopold (2004).

89 According to the U.S. Census, roughly one-quarter of Broward residents are foreign born – two-thirds from Spanish-speaking countries in Latin America. The county’s immigrant population from Haiti, Jamaica and other Caribbean countries has also risen sharply in recent years. Seemuth (2004b).

90 Strong evidence of the economic benefits of immigration is provided by Haar (2004).
recent immigrants are highly skilled and multilingual, their potential contribution to the State’s economy is immense. Indeed, cultural diversity and language proficiency gives Florida workers a huge competitive edge as employers seek to target the fast growing U.S. Hispanic market and large Spanish-speaking markets in Latin America and the Caribbean.\textsuperscript{91}

Unfortunately, by other measures, such as literacy and productivity per worker, Florida’s workforce is ill-prepared to meet the challenges of the coming decades. Correcting these deficits will be key to Florida’s ability to attract and retain the types of knowledge industries capable of supporting high living standards.

\textbf{The Role of Public Policy}

The State of Florida has made significant efforts in recent years to enhance the skills of its workforce and protect and preserve its natural resources, among them, the passage of the Workforce Innovation Act (WIA), the Trade Development Act (TDA), and the Comprehensive Everglades Restoration Plan (CERP).

\textbf{Workforce Innovation Act}

While Florida enjoyed strong employment growth during the 1990s, wage growth lagged the national average.\textsuperscript{92} In an effort to correct this situation, streamline the State’s unwieldy workforce development programs, and create greater synergies between economic development, workforce development and businesses, the Florida legislature passed the Workforce Innovation Act of 2000, establishing Workforce Florida, Inc. (WFI).

Under WFI, a 45-member board appointed by the Governor oversees and monitors the administration of the state’s workforce policy. Programs and services are carried out by the two dozen business-led regional workforce boards and the Agency for Workforce Innovation, a new entity established to help implement policy. More than 100 One-Stop Career Centers provide services including job placement and training, temporary cash assistance, and specialized support services such as subsidized childcare and transportation.

While it is too early to pass judgment on whether this massive restructuring will succeed in raising the skills of Florida’s workforce to the next level, the preliminary results are encouraging. During 2002-03, WFI invested nearly $28 million in special training initiatives in key target industries and trained more than 31,000 workers. Thanks in part to its efforts, Florida created more new jobs (85,000) than any other state.

\textsuperscript{91} Hispanic consumer spending is projected to grow at an annual rate of 4.8 percent in constant dollar terms through 2010 – almost two and a half times that of overall U.S. real consumer spending.

\textsuperscript{92} In the early 1990s, Floridians earned just 90.2 percent of the U.S. average paycheck. By 2000, it had fallen to 86.9. It has since risen to 87.9. Florida also has the second largest number of minimum wage workers in the nation and more than one quarter of the State’s workers are among the “working poor,” earning less than $16,640 annually or less than $8 per hour. See Trigaux (2004), and CUES (2004).
Technology Development Act

In May 2002, Governor Bush signed the TDA into law. The Act, which was crafted with input from the Florida Research Consortium, a volunteer board of university and industry leaders, directs the Board of Education to establish at least two Centers of Excellence within the state university system, and create an Emerging Technology Commission to oversee their development.

The Centers of Excellence idea was originally put forth by Governor Bush in his 2002 State of the State address. In that speech the Governor spoke of providing $100 million to state universities to help build state-of-the-art laboratories and compete for top scientific talent with rival states such as North Carolina. The endowment, he noted, would also help foster innovative, cutting edge technology research and assist in the development of commercially viable applications for that research. The Governor likened the initiative to building a high-tech “field of dreams.”

The Florida legislature approved Bush’s proposal but appropriated only $30 million. The first three Centers were announced during summer 2003, with each awarded $10 million. Governor Bush has since asked the legislature to appropriate $20 million for the establishment of two additional Centers of Excellence.

Comprehensive Everglades Restoration Plan

In 2000, Congress authorized the CERP, a 50-year, $8.5 billion project to revive the Florida Everglades from the devastation wrought by decades of unchecked development. The project, a joint federal-state undertaking, led by the U.S. Army Corps of Engineers and the South Florida Water Management District, is ambitious in scale and scope. It aims to capture 1.8 billion gallons per day of rainwater that would go out to sea, store it in new reservoirs and wells, and distribute it to the Everglades (in the right amounts and at the right times) along with farms, businesses and residences. Other goals include improving water quality through reductions in phosphorus entering the Everglades.

While critics have derided the plan as a sham that will deliver “swift and sure economic benefits to Florida homeowners, agribusinesses and developers,” but little in the way of real restoration, scientists and engineers believe that the plan could ultimately succeed in restoring natural functioning to the remaining area that comprises the Everglades (about half of the original area) and recover the essential characteristics that make the “River of Grass” unique.

93 The three centers are: The Center of Excellence in Regenerative Health Biotechnology at the University of Florida (Gainesville), The Florida Photonics Center of Excellence at the University of Central Florida (Orlando), and The Florida Center of Excellence in Biomedical and Marine Biotechnology at Florida Atlantic University (Boca Raton).

94 For more on this project, see http://www.evergladesplan.org

95 For a critique of the CERP plan, see Grunwald (2002). For a more upbeat view, see McIntosh (2002).
Policy Recommendations

While passage of the WIA, TDA and CERP are steps in the right direction, much more needs to be done if Florida is to build a high-skill workforce, create clusters of globally competitive, knowledge-based industries, and protect its natural resources. Principal among these imperatives are overhauling the state’s educational system, investing in further research and development (R&D), encouraging innovative public-private partnerships and promoting smart growth and sustainable development.

1. Improving the Quality of Public Education

Without question, the biggest hurdle Florida faces in upgrading the skills of its workforce and attracting high tech business to the state is improving the quality of its public school system. According to recent surveys Florida ranks 38th in the nation in 2000 with respect to K-12 education spending per pupil. Not surprisingly, Florida’s high school graduates rank near the bottom in math and science skills and high school dropout rates are among the highest in the country.96

Another problem area is the shortage of talent in science and engineering. Indeed, Florida ranks 45th in the country, relative to the size of its population, for the number of science and engineering graduate students enrolled in its universities. As a consequence it is also producing far too few top-level scientists.97 Furthermore, there is a chasm between the demands of the labor market and the skills of Florida’s workers. In short, the education that many Florida students are receiving is simply not relevant and appropriate for the types of knowledge-based businesses the State is trying to recruit.98

Fortunately, Florida’s Community College system is stepping up to the plate. Thanks to a large increase in funding of in 2004, many colleges are expanding existing programs and designing new ones to accommodate demand by Scripps and other high tech employers. For example, students at Florida Community College in Jacksonville will soon be able to pursue an advanced technical certificate in bio-informatics – a program that will train them to design and maintain database systems used in biotech research. Furthermore, several community colleges throughout the State are now offering two-year programs that train students to work in laboratories as biotechnicians, as well as initiating programs that train biotechnicians to be proficient in research and biohazard safety. While these efforts should go some way towards alleviating the skills gap, there clearly remains a long way to go.

96 For a detailed analysis of Florida’s educational deficits, see the Florida Chamber Foundation (2003).

97 This fact was underscored by Scripps’ recent announcement that it had hired its first two dozen scientists to staff is Florida research institute and only two were Floridians. Mertz (2004).

98 The Progressive Policy Institute ranks Florida 18th in the country in its ability to attract “new economy” jobs. (2002).
The State should also consider providing funding for state universities to create advanced degree programs tailored more closely to the needs of the private sector. For example, more than three dozen colleges and universities in 17 states now offer professional science master’s degree programs (PSM), which combine rigorous academic instruction with practical, hands-on experience in the field. Advocates of PSM programs claim they are a convenient way to increase the number of students in the sciences, while promoting greater science literacy in business and government. They may also, over the long run, reduce the attraction of offshoring to employers requiring high-skill, technical talent. 99

2. Promoting Innovative Public-Private Partnerships

To achieve its economic development goals, Florida will need to leverage the resources of private industry, public entities and universities to bolster its competitiveness in life sciences, digital media, homeland security and other emerging business areas. A number of innovative public-private partnerships have been formed in recent years, including the Florida High Tech Corridor Council, BioFlorida, and the Internet Coast Initiative. 100

A good example of such a partnership is the Florida Financial Services Cluster Initiative (FFSCI). The initiative was begun by Tampa Bay business leaders in early 2003, concerned about the possible impact of offshoring on their industry and the local community. The idea was to put together a group of senior-level banking and financial services executives, have them exchange information and ideas, pool resources and invite other stakeholders, such as universities and local development agencies to help develop recommendations for enhancing the industry’s competitiveness. The program quickly caught on and soon was taken statewide by EFI. In the coming months, the FFSCI will focus on creating training programs in specialized areas like transaction management and information technology.

Another noteworthy collaborative effort is the Consortium for Research and Education in the Arts and Technology (CREAT) in Orlando. Founded in 1996 by the University of Central Florida, CREAT helps fill the need for qualified workers in the region’s burgeoning media and entertainment industry. Since its inception the Consortium, which is a partnership of the Art, English, Film and Music departments in the College of Arts and Sciences with support from the School of Electrical Engineering and Computer

99 Students enrolled in such programs typically take many of the same courses as in traditional graduate programs, but instead of conducting research for a dissertation, participate in internships, study business or patent law, or engage in other practical, hands-on endeavors. Majmudar (2004).

100 The Florida High Tech Corridor Council was created in 1996 and is a partnership among the University of Central Florida, the University of South Florida and principals of top high-tech companies to help promote the growth of the high-tech industry, particularly along the I-4 corridor in Central Florida. BioFlorida, created in 1996, aims to bring together business, academia and government to support and encourage the development of Florida’s biopharmaceuticals industry. The Internet Coast Initiative, created in 2000, seeks to facilitate partnerships between business, government and education leaders to develop Southeast Florida as one of the country’s top technology centers.
Science, as well as the Institute for Simulation and Training, has drawn heavily upon the support of local industry veterans for faculty and curriculum development. At present, about 700 undergraduates are enrolled in digital media programs and a master’s curriculum is in the works.\textsuperscript{101}

3. Providing More Funding For Technology and Innovation

The Scripps Research Institute’s October 2003 decision to establish a major biotech research facility in Palm Beach County (with the aid of $510 million in state and local incentives), is unquestionably a major coup for Florida, which will strengthen the State’s research base for years to come. It will also attract new industry, talent and venture capital to the area. Likewise the creation of the three university Centers of Excellence is an important step which will help lay the foundations for Florida’s high tech future. However, much more needs to be done on the R&D front if Florida is to realize its vision of becoming a world class technology center.

A good place to start would be to increase funding for the TDA to the $100 million originally requested by Governor Bush, and expand its scope, as recommended in the \textit{New Cornerstone} report by the Florida Chamber Foundation. Such a move would level the playing field with other states also vying for such investments. For example, Michigan recently announced plans to invest $1 billion over the next two decades in biotechnology corridors. New York has proposed an even more ambitious initiative that would involve annual investments of more than $100 million in biotech research and development. Meanwhile, Singapore, which also competes with U.S. states for high tech investment, is spending $1.7 billion over the next five years to build a biotech beachhead.\textsuperscript{102}

4. Dealing Effectively with the Offshoring Dilemma

While the federal government currently has programs in place to assist workers dislocated by import competition,\textsuperscript{103} assistance is not available to service workers displaced by offshoring. This is shortsighted and may invite a backlash. Indeed, a number of state legislatures have recently passed draconian laws that prohibit companies that engage in offshoring from holding state contracts, and many others, including Florida, have legislation pending.\textsuperscript{104} Such a “get tough” approach, while politically

\textsuperscript{101} Bivens (2004).

\textsuperscript{102} LeClaire (2004).

\textsuperscript{103} The Trade Adjustment Assistance (TAA) program, last renewed in the Trade Act of 2002, provides aid for workers displaced as a result of import competition. Funds can be used by workers to maintain health insurance and receive vocational training.

\textsuperscript{104} Haverman and Schatz (2004).
appealing, as Haverman and Schatz observe, is likely to be counterproductive and may have unintended consequences.\textsuperscript{105}

There are numerous measures that could be taken at the state or federal level to help ease the transition of service sector workers to new occupations. These include subsidizing worker retraining and healthcare for workers who are displaced due to offshoring, but who are retraining or looking for work, providing relocation benefits for displaced workers who find jobs in new locations, and maintaining extended unemployment benefits for displaced workers who are retraining or seeking new work.\textsuperscript{106}

5. Promoting Smart Growth and Sustainable Development

Florida’s environment is a precious commodity upon which all other economic activity depends. In the past, business leaders and policymakers have taken a blasé attitude toward the environment, forging ahead with development projects without taking sufficient stock of their impact on fisheries, wildlife and delicate ecosystems. In recent years it has become painfully apparent that this approach is not just shortsighted – it is bad business.

A small but important part of the solution might be to implement tax and market-based incentives for encouraging smart growth and development patterns, as outlined by the Florida Chamber Foundation (2003). These include promoting location-efficient mortgage programs which consider a home buyer’s transportation costs when assessing the applicant’s borrowing ability; split-rate property taxes, which assess land at a higher rate than the structures on the land; and tax credits or abatements for developers of smart growth and for residents of localized areas that bear the impact of higher density developments.

Another good idea would be to implement the conservation-related recommendations of the Growth Management Study Commission, created by Governor Bush in 2000. These include dedicating sufficient revenue to purchase conservation and agricultural easements, directing growth to resource appropriate locations, and developing bridge mechanisms involving incentives or payments to property owners in exchange for services to maintain and enhance wildlife values on property prior to and in anticipation of eventual state fee or easement acquisition.\textsuperscript{107}

\textsuperscript{105} The policy of restricting government contractors to vendors employing only domestic labor, according to Haverman and Schatz (2004), falls short of the optimal choice in several respects. First, on a per worker basis, it is likely to be more expensive than other options. Second, it is likely to assist a very small subset of workers displaced by offshoring. Third, policies banning offshoring are most likely to assist relatively skilled workers with high earnings capacity.

\textsuperscript{106} Ibid.

Policy Recommendations:

Recommendation 1. Invest generously in public education and earmark additional funds for vocational training and community colleges. Fund innovative programs at the university level that will produce graduates with skills closely aligned to the demands of private sector employers.

Recommendation 2. Encourage the creation of innovative public-private partnerships to leverage the skills of Florida’s industries and universities in the economic development process.

Recommendation 3. Increase funding for the Technology Development Act so that Florida can create additional Centers of Excellence, thereby bolstering its standing in the high stakes competition for knowledge-based investment.

Recommendation 4. Put forth a program to assist service workers displaced by offshoring to ease their transition to other occupations.

Recommendation 5. Promote smart growth and sustainable development through the use of tax and market-based incentives.
Conclusion

The dramatic increase in flows of people, goods and money into and out of Florida in recent years has paradoxically been both a blessing and a curse for the State and its citizens. It has created new business opportunities and wealth for some – particularly the most skilled and educated – and additional hardships vulnerabilities for others – particularly the least skilled and educated.

While the State has implemented some truly innovative measures to help maximize the benefits of globalization and minimize its costs, it will need to go further in the years ahead, building upon this foundation, if it is to achieve sustainable growth and advance its transition to a globally competitive, knowledge-based economy and society. This will require visionary leadership, creativity and bold ideas, as well as considerable resources.

In the past, as the Florida Chamber Foundation’s *New Cornerstone* report observes, the State has tended to look upon economic development as an “operation expense” to be minimized rather than an “investment” in future prosperity. Changing this mindset is perhaps Florida’s biggest future policy challenge.
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