Outlook remains bleak for international trade and banking

By Frank Norton

Last year’s recessions at home and abroad choked international trade and banking business in South Florida.

Customs brokerages shut down, exporters lost South American buyers and global financial institutions yanked or downsized their Miami-based Latin America operations.

“In a word, it was bleak,” said one Miami banker describing the state of that industry.

Further, business is not expected to improve much in 2003, many analysts said.

Barclay’s Bank consolidated most of its Latin America operations from Brickell Avenue to an existing New York base and Germany’s Dresdner Bank announced that in February it will close its Miami offices. Morgan Stanley also shut down its local high net worth private banking office for Latin America.

“The combination of foreign political factors and recessions will continue to hurt our trade levels,” said Charlotte Gallogly, president of World Trade Center Miami, part of a global organization that fosters international trade.

More than the rest of the US, South Florida trade business depends on South America.

“Last year’s recessions at home and abroad choked international trade and banking business in South Florida,” said Mr. Capablanca, who also sits on the executive committee of the Florida International Bankers Association.

Miami’s foreign bank agency assets were down roughly 35% in September from their peak of nearly $22 billion in December 2001, as operations have downsized or flown Miami.

Dresdner Bank’s announcement that it will close its Miami office in February is just the latest example of the industry’s global consolidation, in several cases a consolidation moving them out of Miami.

Many international bankers are also skeptical of a turnaround in 2003.

After peaking in 2001, foreign bank operations in Miami have steadily declined in step with consolidating global market conditions. “Unfortunately, I don’t see a lot of new banks coming in that can pick up that slack,” said Fernando Capablanca, general manager of Chile’s Banco de Credito e Inversiones Miami office.

“There has been a big decrease in activity and that has led to a lot of unemployment in banking,” said Mr. Capablanca, who also sits on the executive committee of the Florida International Bankers Association.

Miami’s foreign bank agency assets were down roughly 35% in September from their peak of nearly $22 billion in December 2001, as operations have downsized or flown Miami.

Dresdner Bank’s announcement that it will close its Miami office in February is just the latest example of the industry’s global consolidation, in several cases a consolidation moving them out of Miami.

Although international bankers here have already begun eyeing alternative growth markets in Central America and the Caribbean, immediate trade and lending opportunities in those regions pale in comparison to losses suffered with Venezuela, Colombia and other South American economies, analysts said.

“The positive thing,” says Mr. Capablanca, “is that these situations usually don’t last very long.”

While a significant improvement in South America is not expected for 2003, Miami could see strengthening foreign investment from Chile and Mexico, which has traditionally found Southwestern states.

Florida’s exports to Brazil, Colombia and Venezuela fell from 15% to 32% in the third quarter of 2002 from the third quarter of 2001, according to the US Department of Commerce. The same report shows the state’s exports to the Dominican Republic, Guatemala and Mexico rose during the period.

Stronger hemispheric trade agreements won’t hurt, analysts said.

In fact, trade finance out of Miami could even pick up slightly on “positive developments across the region,” says E.N. Roussakis, FIBA professor and international banking expert at Florida International University.

Mr. Roussakis said trade agreements taking form between countries and trading blocs in North and South America could grant wider access to consumers markets for many export economies.

The Andean Trade Preference Act, which provides preferential trade benefits to the four designated beneficiary countries, and the US-Chile Free Trade Agreement are only two such examples.

“We’ve passed the trough, we’ve experienced the negative and we are moving on,” Mr. Roussakis said. “I’m more optimistic on 2003 than I was for 2002.”