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Hazardous conditions

October 26, 2001

By: Omar Perez

South American business people consider U.S. cities more dangerous these days and also find U.S. deal-making practices fraught with peril

Tony Argiz

A recent poll commissioned by Miami's Poder magazine found that Latin American executives now perceive U.S. cities as more dangerous than Bogota, Mexico City and Sao Paulo. But despite the economic downturn and terrorist attacks in the United States, Latin American investors — many of them from Venezuela and Colombia — still look to the U.S. for solace.

It's not just the money that comes here. As a result of increasing desperation among middle- and upper class Venezuelans and Colombians about their countries, the people are coming as well.

Meanwhile, a growing group of South Florida consultants, lawyers and accountants are making a business out of helping South Americans find a haven for their capital and themselves.

"During the past few years there has been a steady rise of investors from these two countries," says Vincent Carrodeguas, partner at Coral Gables CPA firm Goldstein Schechter Price Lucas & Horowitz. "The majority of them have or are in the process of liquidating their holdings."

According to the most recent Immigration and Naturalization Service figures, some 3,400 Colombian immigrants moved to Florida in 1998; 2,800 of them to the tricounty area. That figure was about 200 lower than in 1997. (No figures were available for Venezuelans.) In comparison, some 13,000 Cubans arrived in South Florida in 1998, while more than 25,600 arrived in 1997.

Unlike other Latin American crises, many of today's newcomers are people who have some assets but can't afford to put them at risk. A few owners of small and medium-size businesses are now moving their activities from South America to the U.S., says business lawyer Robert Allen, a partner at Miami's Robert & Galego law firm. Allen is advising South Americans who want to use their companies as vehicles to get U.S. business and investor visas. One of Allen's clients ran a plastic-container factory in Venezuela before relocating it to the United States. Another produced patio furniture.

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Some of the most-moved types of businesses from South America include used-car dealerships and flower-related businesses, says Tony Argiz of Miami accounting and consulting firm Morrison Brown Argiz & Co.

Allen tries to explain to South American business owners that by bringing business to the U.S., they minimize the possibility of losing most, if not all, of their capital.

“You want geographic risk diversification,” Allen says. “You gradually try to move the core of the production to the United States so you are less exposed to some of the risks of your home country."

Once a business has moved to the U.S., the issue of taxes comes up. That’s where consultants like Argiz come in. Because of growing demand, he says, his firm plans to open an international tax department. Of the services the firm provides, tax planning is the most sought after by investors from these two countries.

“They’re new to the U.S. tax system, and they need to know how to better adapt themselves and get organized and best shield themselves from taxes,” Argiz said. Other countries that have originated investors seeking Argiz’s services include Brazil and Argentina.

But often those investments take a wrong turn. While they are very familiar with the challenges in their backyard, quite a few foreign investors neglect to spot those in the United States. Attorneys like Shutts & Bowen’s Edward Patricoff often deal with investors when it’s too late.

“People have a false sense of security,” Patricoff says. “Their systems of government are not nearly as stable and ordered as ours are, so when investors come to the United States they let their guard down. When they come here they do deals on a handshake. They invest in something, and they think it’s going to be protected by the system of justice here.”

One of his clients, a Chilean, wired money to buy several ambulances from an Orlando company, which closed after it received the money and moved to Ohio. Patricoff says he was able to recover some of the money. Often, the process of trying to get one’s investment back costs more than the initial investment. One Ecuadorean client of Allen’s paid $20,000 for land in Central Florida. The U.S. government later condemned it and paid him $500.

Says Patricoff: “People are reluctant to seek [legal advice], even wealthy people. They don’t want to spend $1,000 to consult with a lawyer regarding a contract they’re about to enter into.”

As for Shutts & Bowen, Patricoff said it has taken several steps to handle higher Latin American demand, including the hiring of Spanish-speaking and Colombian and Argentine lawyers, and developing an international practice group. Patricoff estimates that 15 percent to 20 percent of overall clients are from Colombia and Argentina; Latin American clients make up between 30 percent to 40 percent.

The reasons for moving vary: “If you’re talking Venezuela, they’re political and economic,” says Allen. “If you’re talking Colombia, there’s a higher component of personal security; the same goes for Brazil. However, people aren’t leaving Brazil in droves as they are Colombia.”

Argiz says that while it's mainly the Venezuelan middle class that is coming to the U.S. right now, in the case of Colombia, it's the middle class and the very wealthy. "You see more of the middle class immigrate to the U.S.," Argiz says about Venezuelans. "The heavy hitters are still taking residence in Venezuela. As far as Colombia, it's different. We're getting all kinds of people on the investment side."

Coral Gables accountant Vincent Carrodeguas says at least half of his firm's Venezuelan and Colombian clients bring in at least $500,000 each to invest.

Jose Valdivia, a partner at Steel Hector & Davis' international practice group, says the number of clients from both countries has been on a rise for the past two or three years. A sizable portion of the services they request are trust work and pre-immigration planning. To help with demand, the firm brought in three attorneys during the past 18 months who either have experience dealing with corporate and tax planning or have contacts in the region.

In Steel Hector's case, having a 16-lawyer office in Venezuela doesn't hurt. "Our name is [in Venezuela], and that gives people comfort," Valdivia says.