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China business helps, challenges S. Fla.

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Towering teal-and-white gantry cranes, direct from China, glided into Miami's seaport last month, while mobile rubber-tire gantries, also from China, might soon be darting among stacks of containers, loading and unloading cargo.

A decade ago, the port's new gantry cranes were manufactured in Germany. Today no manufacturers can match the China price.

"We have to go to the Far East," said Christopher C. Morton, chief manager of the Port of Miami Terminal Operating Co., which is considering investing \$15 million to buy the mobile gantries.

"It's not that we want to -- we have to," he said.

Consumers and companies throughout South Florida are feeling the China effect.

This special report profiles companies that have reshaped their businesses to stand up to withering Chinese competition, others that have benefited from the low-cost of sourcing products there, and a law firm that has carved out a China niche. There's also a story on Florida International University's plans to establish a hospitality management campus in China.

In a metropolitan area intensely focused on Latin American and the Caribbean, the explosive growth of trade and business ties with China is matched only by the growing dependence on Chinese imports.

Nowhere is China's growing role in shaping our economy more visible than the Port of Miami-Dade where there's been a sea change in the port's trading patterns in recent years. Even five years ago, the port's top trading partners were in Latin America. Chinese merchandise was not a major factor, and until recently not a single shipping line came directly from China to Miami.

Today, China is the second largest trading partner in terms of volume at the bustling port and half a dozen shipping lines now haul containers directly from Chinese harbors into Miami. Only Honduran trade, mainly to serve the apparel industry, ranks higher.

"If you put China and Hong Kong together, they are our No. 1 trading partner," said Port Director Charles A. Towsley.

Towsley, Morton (who worked in China for six years) and other port executives plan a trip to China this summer to make a pitch for new business -- a mission needed in part because trade with Latin America and the Caribbean is no longer growing at the fast clip of the 1990s.

Port Everglades only recently began to cash in on China trade, lining up its first direct shipping route from China last year.

For South Florida, the imbalance between imports and exports is even more pronounced than the growing U.S. trade deficit with China. Nearly \$2 billion in Chinese merchandise entered South

Florida in the first 10 months of 2004, compared with only \$76 million in exports.

As outsourcing of jobs to China and concern over mounting trade imbalances became a campaign issue last year, business groups began staging their own presentations about Chinese opportunities. At the U.S.-China Business Forum, sponsored by the U.S. Chamber of Commerce and FedEx in Miami last fall, U.S. officials and executives spent as much time discussing the challenges in China -- the rampant counterfeiting of brand-name products, for example -- as the potential in a country that is building 140 hotels and four new subway lines in preparation for the 2008 Olympics.

Brian Neff, vice president of the South Florida Manufacturers Association, insists that American business and its leadership need to change their world and business vision to survive.

"American businesses need to think strategically," Neff said. "We think 'business plan,' but there is a big difference. A business plan is how we make money and is frozen in time. A strategic plan is [deciding] where things are going."

That may take the form of fighting the competition.

As companies go out of business because of the plummeting price of imports, some industries have fought back with trade complaints.

Southern shrimpers, including many in Florida, recently won an anti-dumping suit against China and other shrimp-farming countries after the U.S. Commerce Department found that the domestic industry had been harmed by foreign producers selling shrimp below the cost of production. The practice is illegal under international trade rules.

U.S. trade authorities also have slapped tariffs on other Chinese imports, from furniture to televisions to apparel, after complaints by U.S. manufacturers.

But the anti-dumping disputes pale compared to other issues the United States faces as its ties with China deepen.

For starters, China pegs its yuan to the dollar at an undervalued rate that has been in effect for a decade, making Chinese goods artificially cheap against the dollar.

Most economists agree the practice must end. But any change will have its own costs: A revaluation of the currency will push up the cost of imports and in the short run increase the U.S. trade deficit.

Chinese companies also enjoy government subsidies, tax holidays and even bank loan forgiveness -- making it hard for American companies to compete against them. (Chinese banking reports estimate that bad loans make up about half of all loans in the country.)

Some local companies find it is better to take advantage of opportunities China offers than to do battle against Chinese competition.

But doing business in China isn't for the faint of heart. Companies are forced to transfer their technology to China as part of contract awards. There is irony in this since from the 11th to the 14th centuries, the then technologically-advanced Chinese supplied Europe with the maritime advances (such as the magnetic compass) that permitted the exploration and colonization of the

New World.

Although the China boom is shaping South Florida's economy, Chinese culture remains uncharted territory for many. It may be time to take the first steps toward learning Mandarin. Like saying *qing* (please) and *xie xie* (thank you).