

VENEZUELAN INVESTMENT IN FLORIDA: 1979*

Mira Wilkins
Florida International University

Since 1973, Venezuela has had extraordinary oil revenues. These go to the government and from the government to its employees and contractors. The monies have filtered into the Venezuelan economy, where large profits have been made in selling imported goods, construction, banking, and light industry. There are opportunities for investment in Venezuela, but the affluent Venezuelan is already a participant in a multitude of businesses; thus, when Florida real estate brokers sold properties in Caracas, Venezuelans, who had been looking for places to invest monies, were obvious customers. Indeed, so great had been the number of purchases of Miami condominiums that the Venezuelan government, in November 1977, put restrictions on *sellers* in Venezuela of foreign land and real estate, but not on the buyers.¹ Monies have continued to flow out of Venezuela, which (at the time of this writing) has no restrictions on the capital exporter.²

In *Foreign Enterprise in Florida*,³ I wrote on the substantial influx of foreign capital into Florida and the implications for the Florida economy. Among the investors were Latin Americans, especially Venezuelans, but, at that time, there was little concrete evidence of the relative importance of the Venezuelan stakes.⁴ There have been comments on Latin American investment in the United States, but detailed data are scarce.⁵ However, for two sectors—agricultural land and banking—new information has become available, making it possible to document *some* of the Venezuelan investments in Florida, the state that we have reason to believe is receiving a substantial portion of such investment in the United States.

The subject is important to the expert on the Venezuelan economy and raises many questions: Will the funds invested in Florida by Venezuelans in time return to Venezuela? If Venezuelans are exporting capital, will North Americans, Europeans, and Japanese be reluctant to invest in

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Venezuela? Can (or should) Venezuela try to recapture the Venezuelan capital (for example, by providing more incentives for private enterprise)? Is the outflow temporary or long term? Are the investments of such scale that they could cause economic deterioration in Venezuela, followed by political upheaval? In short, what are the implications of the flight of capital for Venezuela's future economic development?

This research note does *not* attempt to deal with the effect of foreign investment on the Florida economy (the reader is referred to *Foreign Enterprise in Florida*); nor does it seek to explore the impact on Venezuela. Instead, new evidence is presented to show that questions about the effects on Florida and on Venezuela are meaningful, since the amount of Venezuelan money involved is significant. Moreover, this evidence seems to indicate that the capital flows from Venezuela into Florida are larger than from any other Latin American country. This note is based on material derived directly from raw data filed by representatives of the foreign investors, under the Agricultural Foreign Investment Disclosure Act of 1978 (AFIDA), and, for banking, reported to the Federal Reserve, the Comptroller of the Currency, and the Securities and Exchange Commission. These are not typical sources for the student of Latin American economies, yet they provide information that is surprisingly revealing.

Agricultural Land

Under the AFIDA, all foreign investors in agricultural land in the United States must disclose details on their investments. Only holdings of less than one acre, which produce less than \$1,000 worth of gross sales in a year, are exempted from the reporting requirements. Under the law, the forms have to be submitted to the office of the Agricultural Stabilization and Conservation Service (ASCS) in the locality where the investment exists. The forms are available for public scrutiny.⁶ Since there has been talk of and newspaper reports on Venezuelan money in the Miami area, it seemed an appropriate place to monitor the entry.

In September 1979, I went through the completed AFIDA forms for Dade County (the Greater Miami region) looking for substantive information rather than simply numerical tabulations.⁷ As of that date, representatives of foreign investors reported, in Dade County alone, 14,463 acres as owned by non-U.S. residents, which included some 1,128 acres of nonagricultural land.⁸ U.S. Department of Agriculture sources indicate that Dade County has 89,000 acres of crop and pasture land,⁹ which means that about 15 percent of its agricultural land is foreign owned.¹⁰ The purchase price of the land that non-U.S. investors acquired approximated \$106 million. Canadians appear as the single

nationality owning the most land—land for agriculture and, more important, for development. The latter—if not used for agriculture—does not have to be reported.¹¹ A perusal of the AFIDA forms indicates that Venezuelans rank in clear second place. Since the law included a potential penalty for nondisclosure of up to 25 percent of the fair market value of the land held, investors had a strong incentive to file. On the other hand, there is evidence of underreporting and that more land in Dade County is owned by Venezuelans than was revealed and than is included in the summary herein.

The final investor was looked for in every case where that investor was identified. Many Venezuelans invested in Florida through Netherlands Antilles companies; but if a Netherlands Antilles corporation was listed as a landowner *and* no beneficial owner was included on the form, Venezuelan ownership was *not* assumed (although I am sure that occasionally this existed).¹² Venezuelan ownership of companies established in Venezuela was assumed, even though this may not be legitimate (there were, however, few cases where Venezuelan companies directly owned agricultural land in Florida, so this probably does not distort the data). In Dade County, 2,628 acres were reported to be owned directly, or beneficially, by Venezuelans; this represents 18.2 percent of the 14,463 acres reported to be owned by foreign investors. Of the forty-two individual Venezuelan land holdings, only three exceeded 199 acres.¹³

For the purpose of this study, a “land holding” was defined as a tract of land acquired at one time and held. Two or more joint holders can have one tract; a single investor can buy any number of tracts on different occasions, directly or through one or more companies. The largest single Venezuelan land holding reported under AFIDA in Dade County was 641 acres, of which 320 acres were in agriculture. This land was held by three individual Venezuelans and represented an investment of \$2,630,000.¹⁴ The typical pattern, however, was for Venezuelans to “patch” together holdings acquired at different times through different companies. Thus, one group of Venezuelan investors—through various companies—held 996 acres in Dade County (see chart 1). There were also numerous small holdings reported.

For the 2,628 acres reportedly owned by Venezuelans, a tabulation of the data indicates a total purchase price of \$28,345,207, or an average of \$10,786 an acre. This represents 26.7 percent of the total purchase price reported by all foreign investors in Dade County. Since the dollar percentages are greater than the land percentages, we have to conclude that Venezuelans have, on average, paid more for their acreage than other foreign investors. Part of the reason for this may lie in the recentness of Venezuelan investment; that is, they have entered a land

CHART 1 A Venezuelan Group in Dade County, 1979

● Raniero Barsanti	● ■ ▲ Palm Groves, Inc. 40 acres
■ Franco Biocchi	● Biobert Co. N.V. 60 acres
▲ Luigi Bertogli	● ■ ▲ ○ Carpet Company N.V. 151 acres
○ Florentina Strazzaboschi de Mangheri	● ■ ▲ Ruby Grove, Inc. 19 acres
□ Giorgio Barsanti	● ■ ▲ ○ Palta Groves N.V. 278 acres
	● ■ Gold Palm Groves 30 acres
	● ■ □ Conakry Corp. 418 acres

Total acreage: 996

Total purchase price: \$9,590,600

Source: AFIDA forms, ASCS Office, Homestead, Florida.

market at a time of high prices. Of the reported Venezuelan investments, only six were in 1973–74; there was none earlier than 1973. The main investments have been between 1977 and 1979.¹⁵

It has been suggested that wealthy Venezuelans bought properties with cash and scorned mortgages.¹⁶ A few spectacular purchases were encountered: for example, in April 1979, the Venezuelan-owned Conakry Corporation (see chart 1 for owners) acquired 418 acres of land for \$3,268,000 *cash*. However, of the forty-two reported land holdings of Venezuelans, only eight did not reveal mortgages (money still to be paid on the transaction), and of these, two were relatively small purchases (\$30,000 and \$24,000). Aside from the sizable transaction noted above, the others were \$135,000 cash for ten acres, \$163,800 for a 60 percent interest in thirty-five acres, and \$80,000 for ten acres. No information was given on the mortgages on a \$600,000 investment in 1974 by a Chilean, Nicaraguan, and Venezuelan and another \$600,133 purchase in 1973, of which 83.25 percent of the shares in the landowning Florida-incorporated company were held by Venezuelans. In the last case, however, the respondent indicated that there was or had been a mortgage.

After subtracting \$4,701,010, the purchase price of these eight holdings, \$23,644,198 remains, representing the purchase price of Vene-

zuelan-owned property with mortgages. The money still due, as of August 1979, totaled \$11,054,117, or 46.75 percent of the purchase price. Thus, although the forms indicate that Venezuelans have paid in excess of \$28 million for Dade County agricultural land, the actual equity investment is less; that is, \$17 million—still a substantial sum. The forms did not request information on who held the mortgages—and this could be U.S. or foreign.

Venezuelans often bought agricultural land through companies incorporated in the Netherlands Antilles, apparently for tax reasons. Some bought directly in their own names; others bought through companies set up in Florida; some used Panamanian companies; and, occasionally, trustees acted for Venezuelan investors. Often Venezuelans seem to invest in groups (see chart 1, for an example). Usually, the group comprised all Venezuelans, often members of the same family; sometimes, however, it included other Latin American investors. Land bought by Venezuelans was not necessarily purchased at one time nor necessarily contiguous; a single Venezuelan might make a number of separate purchases. Avocados, limes, mangoes, and vegetables were produced on Venezuelan-owned land in Dade County.

Banking

Three banks in Florida are owned by Venezuelans (see table); Venezuelans are also among the Latin Americans who have interests in Dadeland National Bank (Miami).¹⁷ It is of interest that J. J. Gonzalez-Gorrondonga's two Florida banks—the Caribbean National and the Dania Bank—

Venezuelan-Owned Banks in Florida, June 1979

<i>Venezuelan Investor</i>	<i>Date of Acquisition</i>	<i>Name of Bank</i>	<i>Deposits (in millions of dollars, 12/31/78)</i>
J. J. Gonzalez-Gorrondonga, Jr.	1977	Pan American Bank of Coral Gables (renamed Caribbean National Bank)	25.69
José Alvarez Stelling	1977	First National Bank of Greater Miami	153.78
J. J. Gonzalez-Gorrondonga, Jr.	1978	Dania Bank	113.70

Source: Mira Wilkins, *Foreign Enterprise in Florida* (Gainesville: University Presses of Florida, 1979), p. 87 and, for deposits, *American Bank Directory*, 1979.

showed drops in deposits between 31 December 1977 and 31 December 1978 of \$2.32 million in one case and \$5.10 million in the other. Could it be that press reports of troubles at Gonzalez-Gorronдона's bank in Venezuela (Banco Nacional de Descuento) had an impact? By contrast, deposits at José Alvarez Stelling's First National Bank of Greater Miami rose in that same year by \$30.98 million.¹⁸

As Venezuelan investors began to consider equity interests in Florida banks as opportunities for multimillion dollar investments, a Miami resident suggested to one group that it buy into a multibank holding company.¹⁹ Florida National Banks of Florida, Inc. became the target. In November 1978, a Venezuelan group purchased almost 5 percent of the outstanding voting shares. The management of Florida National Banks was told that, in the future, the Venezuelans might purchase as much as 15 to 20 percent of the voting shares of the holding company and that the purchases were for investment purposes only. Florida National Banks of Florida, Inc., headquartered in Jacksonville, was at that time a \$17.6 billion holding company that operated fifty-four banking offices statewide.²⁰ On 12 March 1979, the Venezuelan group increased its interest to 560,000 shares, or 7.48 percent of the stock outstanding;²¹ our calculations indicate that their total investment by that time was \$9 million.²²

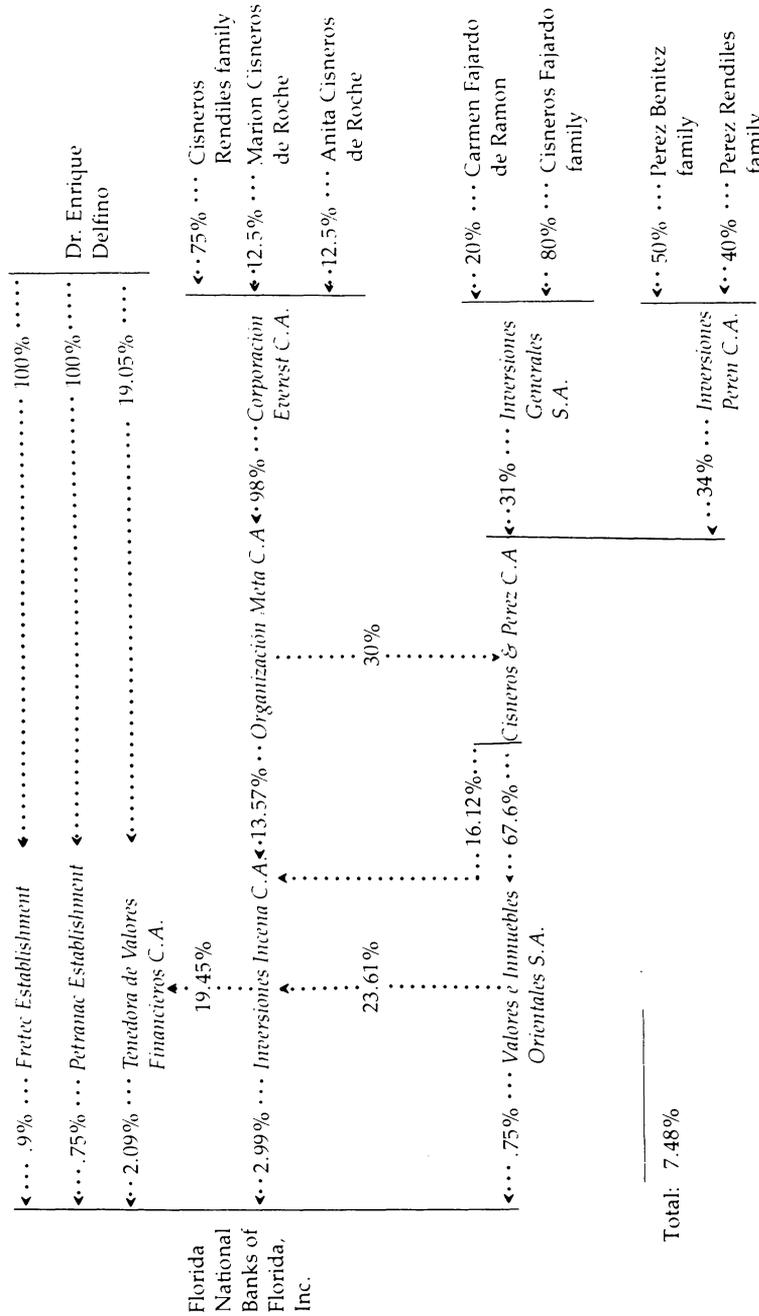
The complex pattern of the Venezuelan group's investment is indicated in chart 2, which was developed from data provided in the SEC, schedule 13D. It is fascinating to note how five interconnected companies, often related to one another through family ownership ties, were used to acquire the holdings.

I estimate that, by the summer of 1979, in all the abovementioned Florida banks and the bank holding company, Venezuelan investors had spent roughly \$35 million on stock acquisitions. Just as in agricultural land, so in banking, the substantial influx is a new phenomenon.

Conclusions

Because of the disclosure requirements, we are able to obtain a rare glimpse of Venezuelan investment in Florida's agricultural land and also equity interests in banking. The *documented* total of over \$63 million represents barely the tip of the iceberg. The \$28.3 million (purchase price) in land was in Dade County, which has attracted the largest investments; however, Venezuelans have invested in other counties as well.²³ AFIDA requested information only on agricultural land; however, abundant evidence exists of Venezuelan investment in Florida in nonagricultural land and in income-earning real estate—office buildings, shopping centers, apartment houses, hotels, and motels.²⁴ Indeed,

CHART 2 Venezuelan Ownership of Florida National Banks of Florida, Inc., as of 12 March 1979



Source: Securities and Exchange Commission, Amendment 1, Schedule 13D, Florida National Banks of Florida, Inc., 12 March 1979.

discussions with realtors, lawyers, bankers, accountants, and economic consultants would indicate that the total Venezuelan investment in this type of real estate is far greater than in agricultural land. In the Miami area, there have also been numerous purchases of expensive homes and condominiums by Venezuelans; these have continued despite the November 1977 restrictions on sellers of foreign land and real estate in Venezuela.²⁵ Even more important, we know of substantial holdings by Venezuelans of certificates of deposit in Miami's commercial banks and savings and loan associations.

The volume of Venezuelan investment in Florida, almost all of which occurred after 1973 and especially since 1976, seems nothing short of extraordinary. Why is this influx of funds occurring? For one thing, the high price of oil has meant the injection into the Venezuelan economy of vast amounts of new wealth. There has been an extension of state ownership and control in Venezuela, and while profitable enterprise is certainly possible there, it may not continue. With the amount of money being made, new opportunities are being sought. Most wealthy Venezuelans are diversifying their business activities in Venezuela and abroad, hedging their bets. They invest abroad in the familiar—land, and real estate, and banking. Opportunities in the United States may not be as profitable as in Venezuela, but they also seem to carry less risk. International diversification limits risk. Tax treaties minimize the tax burden if, for example, a Venezuelan uses a Netherlands Antilles company. Miami, in particular, is a few hours by air from Caracas; a Venezuelan can fly in easily and inspect his properties. It has also been suggested that part of the "Latin syndrome" is to invest abroad, in case one has to leave; even in Venezuela, where for a number of years there have been peaceful government transitions, the idea of exile is not altogether remote. Moreover, with the spread of socialistic ideas, with the notion that income should be more equitably distributed, investors realize that private profits in Venezuela may be subject to future limitations. Investing in the United States can protect their assets.

Who are the investors? The names are familiar to well-connected Venezuelans; they are wealthy entrepreneurs. The Cisneros have the Pepsi Cola franchise, a key TV station, a large share in supermarkets, and many other interests in Venezuela; we have seen that they are buying into the Florida National Banks of Florida, Inc. The Gonzalez-Gorrondona family participates in Venezuelan shipping, construction, hotels, and banking. Executive officers and directors of the companies that invested in Florida National Banks of Florida, Inc., were required to disclose their principal occupations: they included officers of Organización Pepsi and Hit de Venezuela (the "central office of a group of soft drink bottling companies"); a manufacturer of plastic products; the

president of Helados Tio Rico, C.A. (an ice cream manufacturer and distributor); an executive vice-president of Corporación Venezolana de Televisión, C.A. (a television station); a manufacturer of refractory bricks; a number of lawyers; and an important participant in the construction industry in Caracas.²⁶ What is fascinating is that the wealthy in Venezuela today are those who have benefited from the linkage effects resulting from the oil industry. Oil is now a government enterprise, and the money being made is a result of the government having funds to spend on construction and individual Venezuelans having money to spend on consumption and foreign investment.

NOTES

1. *El Nacional* (Caracas), 25 Nov. 1977, details the restrictions which were stimulated by Venezuelan investments in condominiums in Miami.
2. International Monetary Fund, Annual Reports on Exchange Restrictions.
3. Mira Wilkins, *Foreign Enterprise in Florida: The Impact of Non-U.S. Investment* (Gainesville: University Presses of Florida, 1979).
4. *Ibid.*, pp. 22–26.
5. Carlos F. Díaz-Alejandro, “Foreign Direct Investment by Latin Americans,” in Tamir Agmon and Charles P. Kindleberger, eds., *Multinationals from Small Countries* (Cambridge, Mass.: MIT Press, 1977), p. 167, notes that quantitative evidence on Latin American foreign investment is not easily found.
6. See Public Law 95-460, 14 Oct. 1978; form number ASCS-153, U.S. Department of Agriculture; and *Federal Register* 44 (6 Feb. 1979), pp. 7115–18 for the regulations.
7. These schedules are located at the ASCS office in Homestead, Florida. My task was made simpler by the extraordinary care of Jo Ann Dellinger of the ASCS office. She had checked each form, sent back improperly completed ones, and talked with the representatives of the foreign investors. She was marvelously helpful.
8. Foreign investors on occasion specified that part of their holding consisted of non-agricultural land. There was no consistency in reporting in this respect. Some investors in agriculture reported their whole acreage and indicated that a certain amount was not in agriculture; others reported *only* their agricultural land.
9. Data from Dellinger, ASCS, Homestead, Florida, 13 Nov. 1979.
10. Taking into account underreporting, the figure is undoubtedly larger.
11. The data supported the earlier conclusions in Wilkins, *Foreign Enterprise*, p. 20, on the primacy of Canadian investment. We know, for example, of two Canadian holdings totaling 13,500 acres in Dade County, of which only 3,520 acres were reported since the remainder was not used for agriculture.
12. In April 1977, I visited Curaçao in the Netherlands Antilles. While there, I learned that it was common for Venezuelans to use Netherlands Antilles corporations for U.S. investments. The U.S. and the Netherlands have a tax treaty that extends to the Netherlands Antilles. See Marshall Langer, *International Tax Planning*, 2d ed. rev. (New York: Practising Law Institute, 1979) on the tax advantages for the foreign investor of using a Netherlands Antilles corporation.
13. When the U.S. Department of Commerce did its major benchmark survey of direct foreign investment in the U.S., land ownership of less than 200 acres was excluded. U.S. Department of Commerce, *Foreign Direct Investment in the United States* (Washington, D.C., 1976), 9 vols. Its data thus excluded much of what AFIDA includes.
14. The owners were Jesus Hernandez, Andres Manuel Prado D’Lucca, and Juan Vicente Prado D’Lucca. All were Venezuelans, although Hernandez listed a Coral Gables address.

15. The AFIDA form asked information on the date of land acquisition.
16. Jack Friedman, "Report to the U.S. Department of Agriculture on Foreign Investment in U.S. Real Estate" (forthcoming), found a propensity on the part of all foreign investors to have a higher cash contribution than their domestic counterparts.
17. Wilkins, *Foreign Enterprise*, p. 94. Data on bank ownership was collected from the Comptroller of the Currency in Washington, the Federal Reserve, and state banking authorities in Florida.
18. Data from *American Bank Directory 1978 and 1979*.
19. I have met the banker who claims he made this suggestion to a Venezuelan group.
20. Florida National Banks of Florida, Inc., press release, 21 Nov. 1978.
21. Securities and Exchange Commission, Schedule 13D, for Florida National Banks of Florida, Inc., 12 Mar. 1979.
22. On 12 March 1979, the group bought 200,000 shares at \$15.73 per share or \$3,120,000. The earlier purchase had thus been of 300,000 shares. Since the *Wall Street Journal* (22 Nov. 1978) reported the price of the company's stock on 21 Nov. 1978 at \$16.25, that purchase would have been \$5,850,000. Thus, the total Venezuelan interest so far is \$9 million.
23. The ASCS office in Gainesville, Florida, collects the AFIDA forms for the entire state. A review of its statewide tabulations indicates that both in numbers and dollar sums the foreign investment, particularly the Venezuelan, reported in Dade County is formidable compared with other counties.
24. See Wilkins, *Foreign Enterprise*, pp. 22–24.
25. *Ibid.*, p. 25. A luxury condominium on Key Biscayne has had numerous Venezuelan buyers, paying about \$200,000 per unit.
26. Schedule 13D and interview with Venezuelans.



Archangel, eighteenth-century painting, Vice Royalty of Peru. Private collection.