

Responding to Globalization

By Ron DeBarr

NEOTEC INITIATIVES CONNECT NORTHEAST OHIO TO THE WORLD

Through collaboration and proactive solutions to changing economic needs, the Northeast Ohio Trade & Economic Consortium (NEOTEC) is helping to define Northeast Ohio as a wellspring of business opportunity for companies from around the world. This regional economic development organization oversees a variety of initiatives and support services that have proven successful in Northeast Ohio in helping to attract and retain businesses – from the Foreign-Trade Zone program to logistics initiatives to export development and foreign direct investment attraction efforts. NEOTEC offers these important tools for companies to utilize as they set up shop in Northeast Ohio and capitalize on the region's many assets, including technological innovation, access to markets, a productive workforce, educational excellence, and low business taxes.

Advertisement

NEED A CHANGE? MAKE IT HAPPEN WITH IEDC'S JOB CENTER!

Whether you are looking to hire or looking to be hired, take advantage of IEDC's Job Center. You can access job postings in our IEDC News electronic newsletter, our Economic Development Now electronic newsletter, and our Job Center Online.

JOB SEEKERS – register to received IEDC News online at www.iedconline.org

EMPLOYERS – reach a network of more than 20,000 professionals. Check out our reasonable advertising rates online at www.iedconline.org

QUESTIONS? CALL (202) 223-7800.



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

*The Power of
Knowledge and Leadership*

responding to globalization

By Ron DeBarr

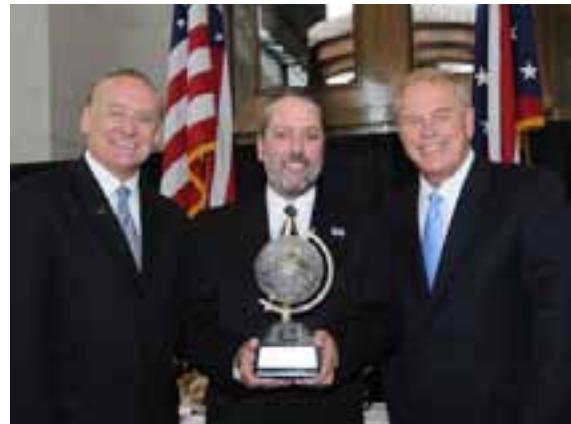
before regionalism became a buzzword, a visionary group of government leaders in Northeast Ohio chose a path of collaboration that united them in ongoing efforts to elevate their region on the global stage. The year was 1996, and this group of commissioners and a county executive from six Northeast Ohio counties entered into an agreement to form the Joint Office of Economic Development (JOED)...a public-private enterprise that put competition aside in the name of collaboration in order that the entire region would prosper.

At the time, it was a relatively new model of economic development, but one that has proven especially prosperous and valuable for Northeast Ohio. The organization was established with the following guiding principles:

- One county, one vote;
- Enhance existing development efforts without duplication;
- Develop private sector input;
- Define county interests within regional goals; and
- Share benefits.

THE ROLE OF NEOTEC

To carry out its economic development efforts, the JOED formed the Northeast Ohio Trade & Economic Consortium (NEOTEC), a partnership dedicated to enhancing the region's global competitiveness through a variety of strategic programs. In addition to providing business support services



The Northeast Ohio International Trade Assistance Center, hosted by NEOTEC, received the Governor's Excellence in Exporting Award in 2008. Chuck Keiper (center), then chairman of the Joint Office of Economic Development, accepted the award on behalf of NEOTEC from former Lt. Governor Lee Fisher (left) and former Governor Ted Strickland.

to the member counties, it collaborates with other economic development organizations and with private and public sector organizations to leverage resources and professional expertise. This enables the organization to provide the most efficient programs and services possible in efforts to promote Northeast Ohio as a business location.

NEOTEC is governed by appointees to the JOED board, which is comprised of one of the three commissioners from each county along with the Summit County executive – Summit County being different in that it has an executive/council form of government.

As a fledgling organization, NEOTEC quickly determined that its areas of focus were promoting international trade through the administration of Foreign-Trade Zone (FTZ) 181 – for which it

Ron DeBarr is president and CEO of the Northeast Ohio Trade & Economic Consortium (NEOTEC). (rdebarr@neotec.org)

NEOTEC INITIATIVES CONNECT NORTHEAST OHIO TO THE WORLD

Through collaboration and proactive solutions to changing economic needs, the Northeast Ohio Trade & Economic Consortium (NEOTEC) is helping to define Northeast Ohio as a wellspring of business opportunity for companies from around the world. This regional economic development organization oversees a variety of initiatives and support services that have proven successful in Northeast Ohio in helping to attract and retain businesses – from the Foreign-Trade Zone program to logistics initiatives to export development and foreign direct investment attraction efforts. NEOTEC offers these important tools for companies to utilize as they set up shop in Northeast Ohio and capitalize on the region's many assets, including technological innovation, access to markets, a productive workforce, educational excellence, and low business taxes.

received the grant of authority in 1997 – and through the formation of the Northeast Ohio Logistics Network, which serves to assist the region in its growth as an international multimodal transportation hub.

Much has been accomplished in NEOTEC's first 15 years. The organization has grown substantially through expansion of membership and programs, and greatly expanded its global perspective in recent years. It became the host site of the Northeast Ohio International Trade Assistance Center (ITAC) in 2004 and launched its Global Business Development Initiative (GBDI) in 2007 to attract foreign direct investment in the region and further position Northeast Ohio as a leader in the global marketplace.

ITAC and GBDI have successfully evolved into award-winning programs that continue to create global opportunities for Northeast Ohio companies. ITAC was recipient of the Governor's Excellence in Exporting Award from the state of Ohio in 2008 and also was presented with the Top Performance Award in 2010 from the Ohio Small Business Development Center. The GBDI program earned NEOTEC an Excellence in Economic Development Award from the IEDC in 2010 in the *Responding to Globalization* category for communities with populations greater than 500,000. All of these achievements are a testament to the organization's ongoing work and commitment to the success of the region.

NEOTEC: SEASONED PROFESSIONALS, REGIONAL COLLABORATION

Originally, the organization was run by volunteers from public and private economic development organizations from the six founding counties, with an office maintained in Akron (Summit County). In late 2000, however, the counties made the decision to incorporate NEOTEC as a nonprofit 501(c)3 organization and hire permanent staff. With this change, the counties ensured that NEOTEC could operate as a true public/private enterprise with a wider scope, working on behalf of all of Northeast Ohio. At that time, officials at Kent State University in nearby Portage County accepted the opportunity to participate in a partnership role, by offering the organization a new campus home with office space.

With the new nonprofit status, members and staff worked to identify specific objectives to avoid duplicating other economic development efforts in the region. As the organization evolved over the years, it established itself as a unique "go to" organization with four distinct global business support programs serving the region: FTZ 181, the Northeast Ohio Logistics Network, ITAC, and the Global Business Development Initiative.

The old adage "There is strength in numbers" really applies in this case. The organization is now nine counties strong and draws upon the expertise and dedication of seasoned professionals in almost 40 different economic development, government, and private sector organizations on a regional, state, and federal level. The staff, which now numbers seven, works closely with these professionals, pooling knowledge and resources to carry out the mission of the organization.

Through several standing committees – marketing/logistics, foreign-trade zone and executive – they develop and implement strategies and initiatives which are



Ron DeBarr (center) accepts the IEDC's Excellence in Economic Development Award for 2010. NEOTEC received the award for its global marketing initiative in the category "Responding to Globalization."

NEOTEC MISSION STATEMENT

The Northeast Ohio Trade & Economic Consortium (NEOTEC) is a multicounty

regional economic development partnership that works collaboratively in the region with the goal of attracting capital investment and jobs to Northeast Ohio through the administration of Foreign-Trade Zone 181, by providing international trade assistance to promote international commerce, through the development of a world-class logistics system, and through the attraction of foreign direct investment.



The fruition of a strong collaborative effort from a Northeast Ohio team of officials, economic development professionals, and area chambers was the March 2011 groundbreaking of a new manufacturing facility in Akron for Röchling Automotive USA. The new plant has brought more than a hundred new jobs and a payroll of \$5 million to Northeast Ohio.

then reviewed and approved by the board of trustees at quarterly meetings. The board is governed by the JOED, which has authority to appoint two trustees and one alternate representing each county.

Funding is derived from several sources. The primary source is from annual county membership dues. Income is also generated through the Foreign-Trade Zone program, including annual fees paid by companies that are taking benefits from FTZ activity, as well as annual flat administrative fees that apply to public warehouse op-

As more and more U.S. companies engage in international commerce, the FTZ program is increasingly more important and viable as a global supply chain management tool.

erators, general purpose zone operators, property owners and developers, and companies owning and/or occupying property that is non-activated. Additional fees are generated for new FTZ site designations, boundary modifications and transfer of ownership of zone properties. For the ITAC program, NEOTEC receives grants secured through the Ohio Small Business Development Center and the U.S. Small Business Administration. ITAC is also supported through contracts with other partners in the region.

FOREIGN-TRADE ZONE PROGRAM: HELPING TO REDUCE GLOBAL SUPPLY CHAIN COSTS

The U.S. Foreign-Trade Zone program is not a new program, but it does have new implications in today's global society. Authorized by the Foreign-Trade Zones Board, a foreign-trade zone is a restricted access site located in or near a port of entry of the U.S. Customs and Border Protection. Customs entry procedures are streamlined in an FTZ. As a result, there can be substantial savings and efficiencies for companies in the zone with FTZ status. Benefits include deferral, reduction or elimination of Customs duties, as well as direct delivery and weekly entry for shipments to reduce merchandise processing fees.

The FTZ program was created by Congress in 1934 to encourage companies to keep investment and jobs in the U.S. and not move production offshore. Through the utilization of its various benefits, the program levels the playing field for foreign competition and enables U.S. companies to reduce costs in their international supply chain to better compete globally. As more and more U.S.

FTZ BENEFITS

- **Duty Deferral:** delay payments of duties until the inventory leaves the zone
- **Duty Reduction:** pay the lower of the component or finished product duty rates
- **Duty Elimination:** eliminate duties on products that are re-exported, rejected, scrapped or destroyed
- **Direct Delivery:** bypass congestion at sea ports by applying for authority to receive product, break seals and clear Customs within the FTZ facility
- **Weekly Entry:** reduce merchandise processing fees by combining shipments on one entry filed weekly
- **No Import Quotas:** inventory stored in an FTZ is not subject to import quotas



Part of Northeast Ohio's multimodal logistics system is the Intermodal Industrial Park along the Ohio River in Wellsville. This 70-acre facility is located at the northernmost tip of the Ohio River system in Foreign-Trade Zone 181, offering a dedicated highway interchange, a 3,500-foot rail siding and a 60-ton bridge crane that can load from barge to truck or rail car.

companies engage in international commerce, the FTZ program is increasingly more important and viable as a global supply chain management tool.

For international companies looking to expand and locate in the U.S., the FTZ program helps maximize the company's return on investment by lowering the cost of importing products or components. Companies that locate in an FTZ can reduce paperwork, improve cash flow, increase flexibility, and save time.

There are more than 250 foreign-trade zones in the U.S., two of which – FTZ #181 and #40 – are located in Northeast Ohio. NEOTEC is grantee of FTZ 181 and is nationally recognized as a "Best Practice" in foreign-trade zone management and development. FTZ 181 is one of the largest and most successful in terms of total dollar volume shipped. It currently has 27 sites covering more than 5,600 acres at industrial parks throughout the nine-county NEOTEC region. Under the organization's administration, FTZ 181 has been a major factor in attracting more than \$261 million in capital investment and the creation/retention of more than 4,200 jobs. FTZ 40, which includes 10 sites and more than 5,800 acres in the Cleveland area, is currently administered by the Cleveland-Cuyahoga County Port Authority.

FTZ MADE EASY: NEW STREAMLINED PROCESS FOR COMPANIES SECURING FTZ STATUS

In early 2011, NEOTEC received approval from the Foreign-Trade Zones Board to implement the Alternative Site Framework (ASF) program, a new streamlined FTZ application process. This new structure dramatically shortens the process for new companies to secure FTZ status for warehousing and distribution operations, and for existing companies in the zone to expand. The new process takes approximately 30 days from date of application; under the previous framework, the process took 12 months. Under ASF, NEOTEC can better respond to the needs of companies seeking FTZ status, helping them to more quickly begin reducing their logistics costs as they move product in and out of the zone.

Through NEOTEC, companies can request a free benefits analysis to determine if the FTZ program is right for them. General criteria for who might benefit from the program include companies that:

- Import high-value products,
- Import a product in high volume,
- Export,
- Are interested in expedited delivery,
- Receive multiple shipments in a week,
- Have products subject to import quotas, and
- Currently apply for duty drawback.



Providing educational and networking opportunities for the business community of Northeast Ohio, NEOTEC and ITAC host numerous seminars and conferences throughout the year. Examples include NEOTEC's annual Logistics Conference (pictured here), plus ITAC training events covering specialized export topics and regulations such as NAFTA, REACH and ITAR

NORTHEAST OHIO LOGISTICS NETWORK

In keeping with one of its initial objectives to develop the region's logistics capabilities, the organization launched the Northeast Ohio Logistics Network in 2002. Through the Logistics Network, NEOTEC works to implement well-defined logistics initiatives to help improve market access and awareness of the region's logistics strengths. Currently the organization includes more than 250 logistics and business professionals from across the region.

A plus for companies located in Northeast Ohio is the region's central location that provides easy access to major U.S. and Canadian markets. It is within a day's drive of more than half of all U.S. and Canadian manufacturing facilities, the top 500 U.S. industrial headquarters, and the top 500 U.S. service corporate headquarters. In addition, the region offers multimodal transportation advantages that enable companies to move their products efficiently. This includes major ports on Lake Erie and the Ohio River, two international airports and a number of regional airports focusing on freight movement, one of the nation's top highway systems, and a viable network of national and regional railroads. FTZ sites are strategically intertwined in this infrastructure, helping companies lower their transportation costs.

The Logistics Network plays an important role in promoting these regional logistics advantages. The network helps address and monitor important legislative issues

related to the logistics industry and provides educational and networking opportunities for the Northeast Ohio business community.

As a major function of the Logistics Network, the organization annually hosts a premier logistics event at Firestone Country Club in Akron: the Northeast Ohio Logistics Conference and Golf Open, now in its 14th year, showcases local, national, and international logistics experts. In addition, NEOTEC collaborates with regional and statewide partners to host other events and forums that address current logistics issues.

Members of the Logistics Network have access to reduced freight rates through a partnership with the United Shippers Alliance (USA). Based in Columbus, Ohio, USA provides volume discounts to companies for both domestic and international freight movements.

In another important partnership, NEOTEC commissioned John Carroll University (JCU) in Cleveland to produce a logistics infrastructure study that defined the region's logistics strengths and opportunities for improvement. The study, completed in 2010, is showcased online at www.neohiotransportationupdate.com. NEOTEC and JCU are currently engaged in phase two of the project, to develop a marketing message highlighting Northeast Ohio's logistics advantages. This portion of the project will include interviews with large shippers in Northeast Ohio, and a SWOT analysis of Lake Erie ports and railroads. When completed, the organization will utilize the marketing message to illustrate how Northeast Ohio's efficient transportation options and central location provide an important component of success for companies locating in the region.

RESPONDING TO GLOBALIZATION: THE INTERNATIONAL TRADE ASSISTANCE CENTER

In 2004, NEOTEC recognized the importance of exporting as a means of growth for the region. To meet the demand of area companies looking for export assistance, the organization pursued the opportunity to become the host site of the Northeast Ohio International Trade Assistance Center (ITAC). Securing grants from the Ohio Small Business Development Center and the U.S. Small

ACRONYMS

ASF – Alternative Site Framework
FTZ – Foreign-Trade Zone
GBDI – Global Business Development Initiative
ITAC – International Trade Assistance Center
JCU – John Carroll University, Cleveland
JOED – Joint Office of Economic Development
NEOTEC – Northeast Ohio Trade & Economic Consortium
USA – United Shippers Alliance



NEOTEC is focused on foreign direct investment efforts through its partnership with OCO Global, an international FDI consulting firm based in Belgium. To kick off the partnership in 2009, NEOTEC members provided a tour of Northeast Ohio to their OCO representative (pictured at center), which included a visit to the Goodyear blimp hangar.

Business Administration, NEOTEC launched the ITAC program and began providing export counseling services to small- and mid-size companies in the region. These services are available at no cost to companies that are new to export, or want to expand their export activity into new markets.

Services provided by the ITAC trade advisors include export readiness assessment, export compliance and procedures guidance, assistance with international logistics issues and documentation requirements, individual training, professional training seminars, and trade missions.

ITAC has earned recognition for its many educational seminars and workshops, which provide the information that companies are seeking as they pursue international markets. Past topics have included basic exporting, international logistics and finance, NAFTA and border compliance, and export classifications. These in-demand events are attended not only by business professionals in the region but also from throughout Ohio and neighboring states.

To provide assistance with the many facets of exporting, ITAC collaborates with the Ohio Department of Development's Global Markets Division and the U.S. Export Assistance Center division of the U.S. Commercial Service. Together with these partnering organizations, ITAC shares information and resources to assist companies with everything from basic export questions to detailed compliance and documentation issues.

RESPONDING TO GLOBALIZATION: THE GLOBAL BUSINESS DEVELOPMENT INITIATIVE – PART 1

Over the years, ITAC counseled hundreds of companies in various stages of exporting. By 2007, the ITAC program had experienced a greatly increased demand for its export counseling services and training events. In response to this demand, NEOTEC launched its Global Business Development Initiative (GBDI) to expand the

With ITAC's assistance and services, many more companies are finding profitable options to grow their business through exporting.

ITAC program. This was accomplished through extensive efforts to secure additional partnerships and funding support, which enabled the organization to increase ITAC's coverage area to 12 counties to include most of Northeast Ohio. It also enabled NEOTEC to add trade advisors to the staff and establish ITAC offices at Cleveland State and Youngstown State universities.

By expanding the ITAC program through the GBDI initiative, NEOTEC offers a valuable service to the many area companies that do not have the time and/or resources to explore export opportunities. With ITAC's assistance and services, many more companies are finding profitable options to grow their business through exporting.

The numbers reflect ITAC's success: in 2008 and 2009, its export assistance efforts generated more than \$2.5 million in export sales. Equally as important, these efforts assisted companies in avoiding more than \$3 million in fees and fines for non-compliance. In the ITAC fiscal year ending September 30, 2010, ITAC staff members spent more than 900 hours individually counseling more than 125 companies in various stages of exporting; and more than 700 business professionals received important training regarding key exporting topics at several ITAC seminars.

RESPONDING TO GLOBALIZATION: GBDI PART 2 - SEEKING FOREIGN DIRECT INVESTMENT

Since its inception, NEOTEC members recognized that the region's potential for economic growth must include international partnerships and attraction efforts. Along with other local economic development groups and the state of Ohio, the organization has participated



A strong presence at international trade shows has been a successful part of NEOTEC's business attraction efforts. The Northeast Ohio team is pictured here at the 2011 Hannover Messe, a large industrial trade show held annually in Hannover, Germany.

In 2009, the organization expanded its GBDI initiative by adding foreign direct investment as a second objective.

in numerous trade missions over the years, including annual missions to Hannover, Germany, for the Hannover Messe, a major industrial trade show, and every three years to Düsseldorf, Germany, for the K Show, the world's largest trade show focusing on the plastics industry. These efforts served to promote the region as a leader in several key industries, including plastics, chemicals, biomedical, alternative energy, and liquid crystal displays.

As globalization of the world economy prevailed, NEOTEC took these efforts a step further. In 2009, the organization expanded its GBDI initiative by adding foreign direct investment as a second objective. This second phase of GBDI was substantiated by the results of an independently researched white paper commissioned by NEOTEC from the University of Akron in 2008. The research paper was commissioned in order to validate the perceived need for the Northeast Ohio region to pursue foreign direct investment. The results were favorable: the white paper concluded that Northeast Ohio is well positioned for international trade growth and success, with abounding opportunities for foreign companies to locate in the region.

The expanded global initiative is now two-fold: to cultivate opportunities for area businesses in internation-

al markets, at the same time showcasing opportunities for foreign companies with U.S. expansion plans to find success in Northeast Ohio. Global partnerships and international marketing efforts are vital components of this initiative.

One of the key partnerships for foreign direct investment is with OCO Global, a leading consulting firm in Brussels, Belgium, which has served as NEOTEC's European office since 2009. Through OCO, the organization has identified numerous foreign companies interested in Northeast Ohio as a location for their U.S. facility, with one project already under construction.



Building a Global Network: NEOTEC president and CEO Ron DeBarr (third from left) met with representatives from Bangladesh, Nigeria, United Arab Emirates, United Kingdom, India, Italy and Rwanda at a World Free Zone Convention in 2009, in efforts to form international partnerships as part of NEOTEC's Global Business Development Initiative.

GROWTH VIA EXPORTING

Many businesses in Northeast Ohio have realized the potential of growth via exporting, as evidenced by the number of them requesting assistance from NEOTEC through the ITAC program. They have experienced success domestically and see the opportunities that exporting can provide. Yet when they pursue this avenue they find that it's a whole new ball game. There are many detailed exporting processes to comprehend, compliance procedures and documentation, customs and international regulations to follow.

ITAC is a pivotal program providing a high level of international trade expertise for companies to utilize. Not all proceed on the path to exporting, but the majority who do find the program's services invaluable in making a smooth and successful transition into international markets. Testimonials received by the ITAC staff echo this fact:

"We would like to thank ITAC for organizing the UK trade mission a year ago. We were able to get extremely valuable face-to-face meetings with UK distributors and premier retailers. In addition, being able to turn to ITAC for everyday or more complex questions is very valuable to us as we expand internationally."

"Being new to international sales, we found ourselves faced with many challenges. We turned to ITAC for export assistance. They have provided guidance in the Schedule B classification of our products, useful resource material, quick and accurate responses to our inquiries both via e-mail and telephone, invitations to beneficial educational seminars, and notification of policy updates in areas of interest to us."

"Thank you and your team at ITAC for the help you have given us in Mexico and Canada. We are launching a new product and your assistance and guidance have made a difference for us."

"I thoroughly enjoyed attending your workshop, and learned a great deal. From beginning to end, an excellent presentation offered by your organization and those that collaborated with you."

"We are a small manufacturer and distributor traditionally focused on a domestic customer base. In recent years, we have seen an increase in the export side of our business and our company acquired another company in Montreal while also opening up another branch in Toronto. Due to this growth, we have been forced to call on ITAC numerous times, and your level of expertise to our organization has been absolutely invaluable."

In addition to its partnership with OCO, the organization formed the Northeast Ohio Global Rapid Response Team to assist foreign companies with issues related to their U.S. expansion plans. This is a regional team of professionals in a variety of global disciplines who volunteer their time and expertise...they are "on call" to quickly answer questions regarding international law, finance, tax, logistics, workforce, immigration, visa requirements, education, and other business issues pertaining to site selection and relocation to Northeast Ohio.

LESSONS LEARNED

Established 15 years ago, NEOTEC continues to evolve and meet new economic challenges. Not only has the organization survived, it has flourished and continues to provide valuable services and opportunities for the region. This can be attributed to a couple of important factors. First and foremost is the dedication and commitment of the many NEOTEC members who over the years have volunteered their time, knowledge, and expertise to "steer the boat" and implement definitive economic development strategies in response to a changing global economy. They are an extraordinary mix of local public and private professionals who have the vision and fortitude to do what's best for the region as a whole.

The second important factor is collaboration: NEOTEC continues to pursue relationships and partnerships that strengthen its ability to deliver better economic development programs to serve the region. Only by placing a determined emphasis on collaborative efforts can an organization maximize the opportunities available for its region's economic vitality. ☐

THE POWER OF REGIONAL COLLABORATION

NEOTEC has been an active participant in overseas trade shows for many years. It is a necessary strategy in order to elevate the profile of Northeast Ohio among international companies considering U.S. investment. However, it is a successful strategy only because of combined efforts that NEOTEC undertakes with its many members and partners. That's why the organization points to the positive role of regional collaboration whenever ground is finally broken for a new manufacturing facility and interviews are taken to hire local workers.

A recent example is the groundbreaking of a new facility earlier this year in Akron for Röchling Automotive USA, a German high-performance plastics manufacturing company. Efforts to bring this company to the region began many months earlier when NEOTEC and many of its partners participated in the K Show, a large international plastics show held every three years in Düsseldorf, Germany.

At the show, NEOTEC joined the city of Akron for the opportunity to meet one-on-one with the company's Automotive Division managing director. From the groundwork of this initial meeting, the Northeast Ohio team worked together to define the company's needs, develop incentives, and quickly respond to the company's timetable. The team included local, county and state officials and economic development professionals, as well as area chambers and utilities. As a result of this collaborative effort, the Röchling project was secured: a \$15 million, 75,000-square-foot facility in Akron that will bring more than a hundred new jobs and a payroll of \$5 million to the area.



NEED A CHANGE? MAKE IT HAPPEN WITH IEDC'S JOB CENTER!

Whether you are looking to hire or looking to be hired, take advantage of IEDC's Job Center. You can access job postings in our IEDC News electronic newsletter, our Economic Development Now electronic newsletter, and our Job Center Online.

JOB SEEKERS – register to receive IEDC News online at www.iedconline.org

EMPLOYERS – reach a network of more than 20,000 professionals. Check out our reasonable advertising rates online at www.iedconline.org

QUESTIONS? CALL (202) 223-7800.



*The Power of
Knowledge and Leadership*