



CENTERSTATE NEW YORK

GLOBAL INVESTMENT INITIATIVE



CONTENTS

Introduction.....	3
Global Engagement is Key to Economic Prosperity.....	4
Responding to Global Opportunities.....	8
Market Assessment Key Findings.....	10
Goal & Objectives.....	19
Strategies & Tactics.....	20
Implementation.....	24
Performance Measurement.....	25
Summary of Key Policy Proposals.....	25
Bibliography.....	26
Acknowledgements.....	27

INTRODUCTION

In a region with a highly integrated economic development structure and strategic location where several foreign-owned firms have excelled, attracting and leveraging additional foreign direct investment (FDI) stands to create more opportunities to positively impact the CenterState New York economy.

The development of this metro investment plan, the *CenterState New York Global Investment Initiative*, includes research to help educate, inform, and guide economic development and public policy makers on how to leverage global trends and attract investment from around the world for the region's economic benefit.

This plan, part of ongoing efforts to grow the region's global connectivity and fluency under the Global Cities Initiative, sponsored by the Brookings Institution and JPMorgan Chase, identifies FDI strategies to complement and bolster the region's existing export strategies, forming a cohesive global trade and investment roadmap for CenterState New York.

Thank You Partners

It would not have been possible to create this report without the cooperation, guidance and input of many local partner organizations. We would like to gratefully acknowledge the contributions of those organizations who volunteered to assist in this effort.

Core Team

Cayuga Economic Development Agency
CenterState CEO
CNY International Business Alliance
Mohawk Valley EDGE
New York State Department of Economic
Development - International Division
Onondaga County
SUNY Oswego
U.S. Commercial Service, U.S. Department
of Commerce

Steering Committee

Cortland County Business Development Corp.
Development Authority of the North Country
Jefferson County Industrial Development Agency
K&N Foods USA, LLC
Lewis County Industrial Development Agency
Madison County Industrial Development Agency
National Grid
Operation Oswego County
Seneca County Industrial Development Agency
St. Lawrence County Industrial Development Agency
Tompkins County Area Development

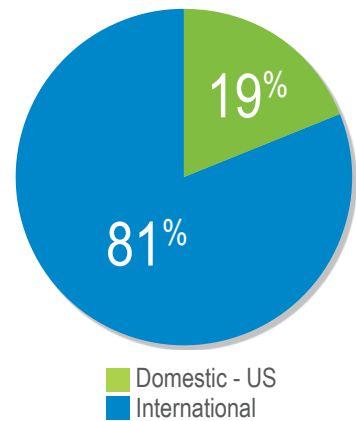


CenterState
New York
Global
Investment
Initiative

GLOBAL ENGAGEMENT IS KEY TO ECONOMIC PROSPERITY

The global economy is shifting. By the year 2020, 81 percent of economic growth is projected to happen outside the borders of the United States¹
Investment by international firms in the U.S. economy exceeds \$236 billion, and continues to grow.²

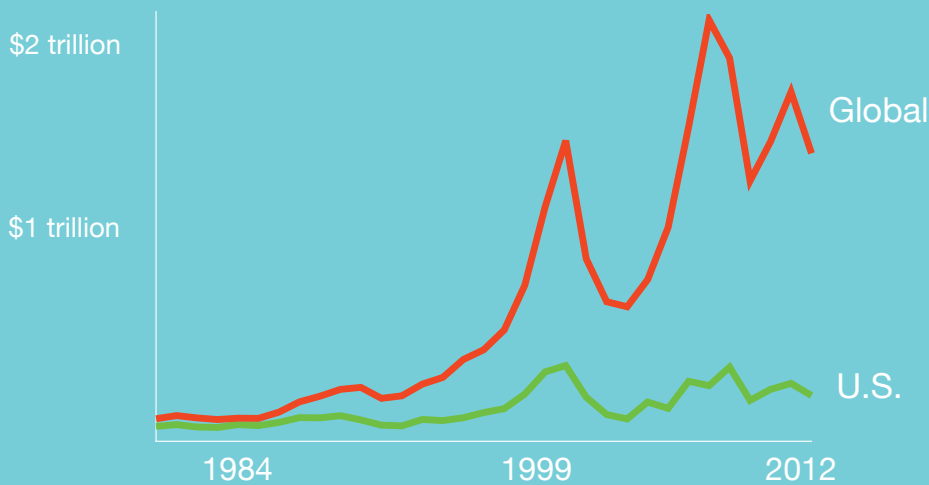
Share of Global Economic Growth
(2015-2020)



Foreign Direct Investment Flows to the
United States
(2013)



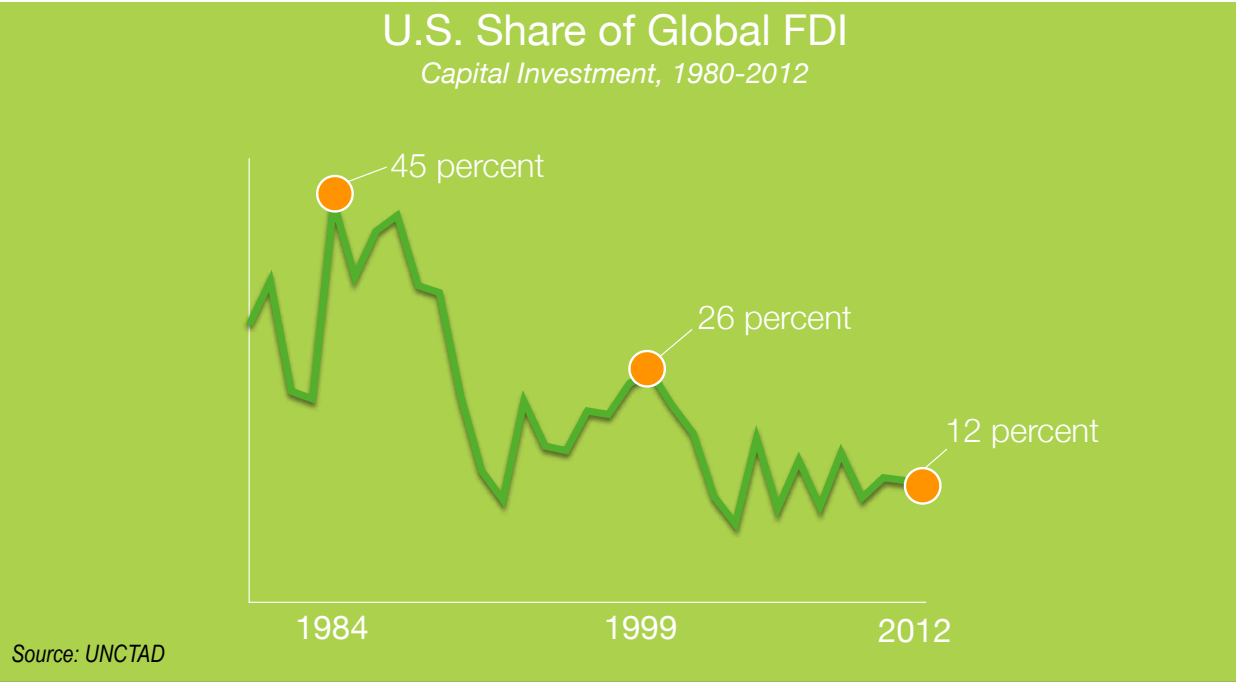
FDI Flows
Capital Investment, 1980-2012



Source: UNCTAD

The benefits of foreign investment to an economy can be seen across a number of factors. Foreign-owned businesses (FOBs) tend to perform better on average in terms of wages, exporting and investments in research and development. Exporting firms also have higher survival rates than non-exporters, making them more attractive for growing the economic base.

As countries around the world open their economies to global investors, the U.S. faces increasing competition for global investment dollars. The U.S. share of inbound foreign direct investment (FDI) declined from 45 percent of the global total in 1984 to 12 percent of the global total in 2012.²



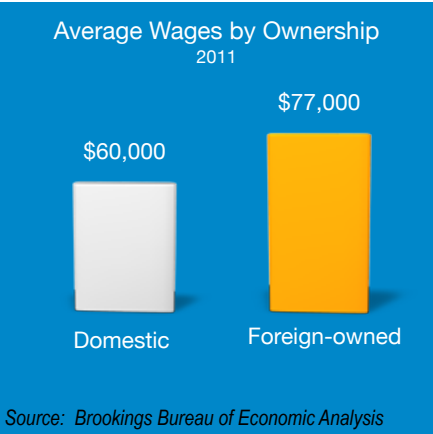
What is Foreign Direct Investment (FDI)?

FDI occurs when an entity based in one country invests in a business enterprise in another country, and this investment gives it a controlling (greater than 50%) interest in the enterprise.

FDI in the U.S. contributes to productivity growth, generates U.S Exports, and creates competitive jobs for U.S. workers.

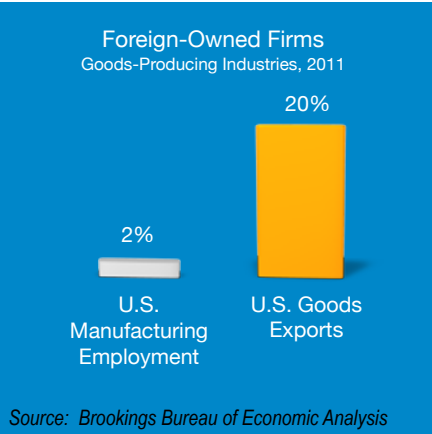
Why FDI and FOBs Matter

High-Wage Jobs



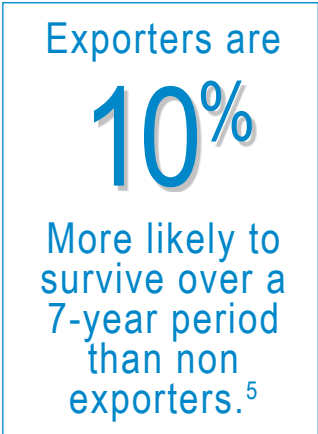
Nationally, FOBs pay, on average, \$17,000 more per year than the average domestically owned company.³

Supports Exports



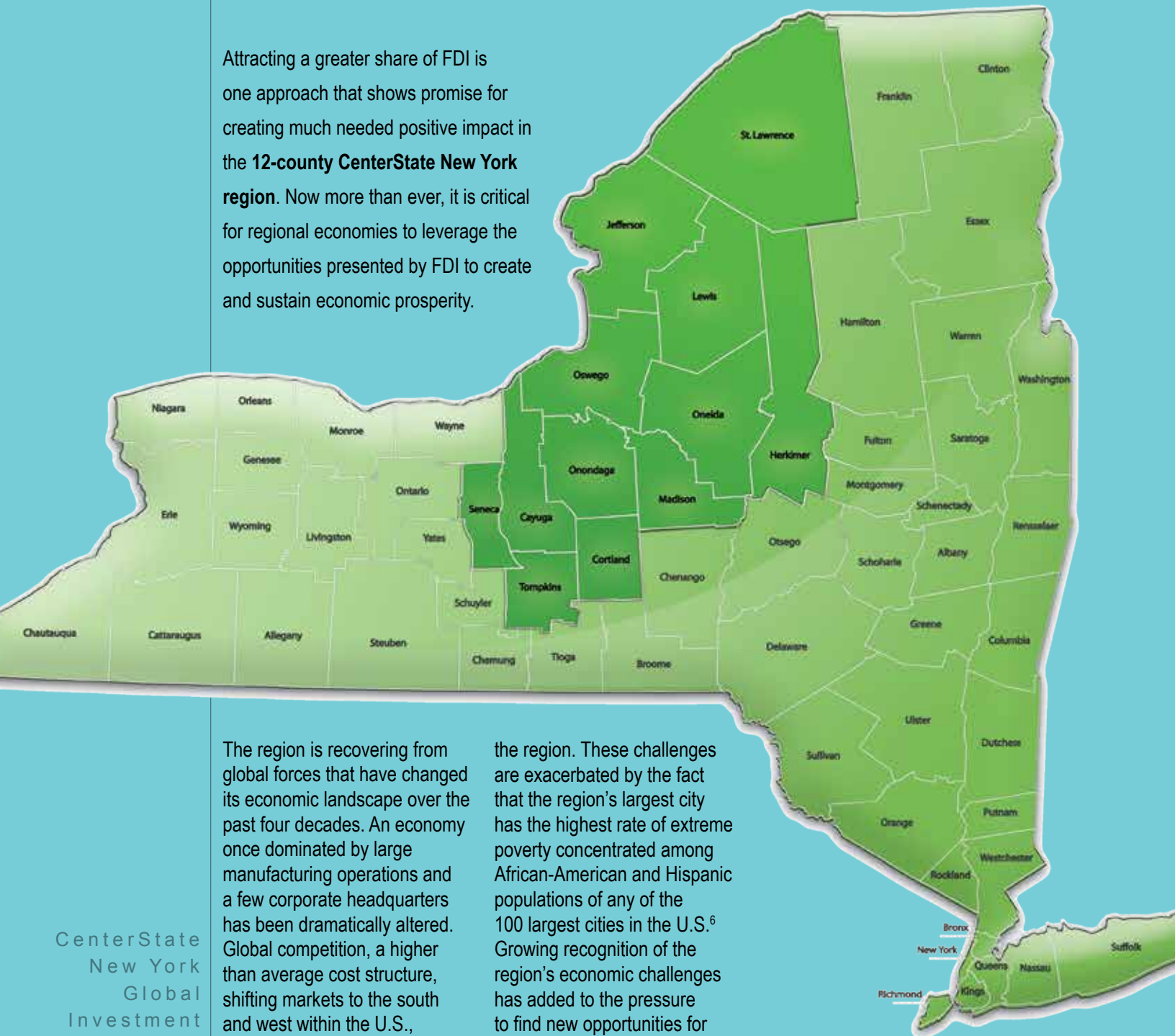
FOBs in manufacturing have only two percent of the U.S. manufacturing employment, but they represent 20 percent of U.S. goods exports.⁴

Sustainable



Given this increased scope of foreign growth and the highly competitive global environment, a strategic approach to exports, FDI, and participation in the global economy is essential to economic growth at the national, state and local levels.

Attracting a greater share of FDI is one approach that shows promise for creating much needed positive impact in the **12-county CenterState New York region**. Now more than ever, it is critical for regional economies to leverage the opportunities presented by FDI to create and sustain economic prosperity.



The region is recovering from global forces that have changed its economic landscape over the past four decades. An economy once dominated by large manufacturing operations and a few corporate headquarters has been dramatically altered. Global competition, a higher than average cost structure, shifting markets to the south and west within the U.S., perceived regulatory and tax burdens, and aging physical plants and infrastructure led to a decline in large operations in

the region. These challenges are exacerbated by the fact that the region's largest city has the highest rate of extreme poverty concentrated among African-American and Hispanic populations of any of the 100 largest cities in the U.S.⁶ Growing recognition of the region's economic challenges has added to the pressure to find new opportunities for immediate and significant positive impact on the economy.

As the region looks to reverse the misfortunes of the past decades, it must look within and beyond U.S. borders for solutions to its economic challenges.

History shows that CenterState New York has benefited greatly from some of the FDI it has experienced. In fact, leading firms, such as INFICON Inc., Saab Sensis Corporation, Novelis Inc., Felix Schoeller North America, Inc., Huhtamaki Inc. and Marquardt Switches, Inc. have international owners. CenterState New York has also attracted recent FDI

investments from companies such as Agrana Fruit U.S. Inc., K&N Foods USA, Teti Bakery and Sovena USA. National Grid, the region's largest electric and gas utility, is headquartered in the United Kingdom; the region's second largest utility, NYSEG, is owned by Iberdola, headquartered in Spain. Many of these companies are the region's leaders in exports, new jobs and investment. As of 2011, 10 percent of manufacturing FOBs in CenterState New York were exporters, compared to one percent of U.S.-owned firms.

Examples of Foreign-owned Firms in CenterState New York

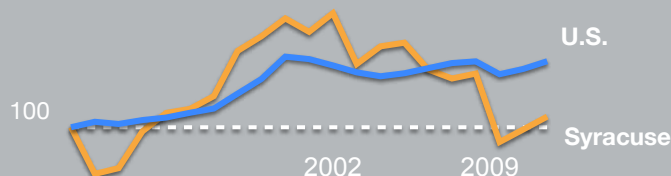


The Syracuse MSA Lags on FDI but was on Pace Pre-recession

FDI

10,780	77
Jobs	Rank
4.2%	67
Job share	Rank

Change in FDI Jobs, 1991-2011



Source: Brookings Export Monitor and FDI in U.S. Metro Areas

The Syracuse metro area, ranked 81st out of the 100 largest metros in the U.S. in terms of population, has significant room for improvement on measures of FDI performance, as both the number of jobs in FOBs and share of employment in FOBs now stand at 77th and 67th respectively. Additionally, the Syracuse MSA had historically outperformed the U.S. for FDI jobs, but those jobs have declined significantly since the Great Recession.

The majority of FDI is in the form of mergers and acquisitions (M&A). As exemplified by some of the firms mentioned above, some M&A in the region has been quite successful. Other instances have led to closures and relocation. Since 2000, an estimated 67 companies have been acquired by non-local buyers from both within and outside the U.S. While some acquisitions resulted in growth and investment, some larger companies downsized or closed altogether, leaving a net loss of more than 5,000 jobs.⁷

Managing this process is both a challenge and an opportunity. M&A can lead to job growth; financial stability and enhanced competitiveness. Even in instances of job reductions, M&A often results in a company staying in the region versus closing operations entirely or moving outside of the area, and can enable infrastructure and capital investments.

Key Terms:

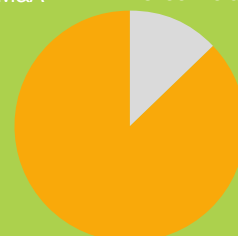
Mergers & Acquisitions:

Employment and establishment of U.S. firms acquired by a foreign parent.

Greenfields: Employment and establishment of firms founded in the U.S. by a foreign parent.

FDI Capital Inflows to United States 1992-2008

87% M&A 13% Greenfield



Source: Brookings, Bureau of Economic Analysis

Mergers and acquisitions dominate FDI capital inflows nationally

RESPONDING TO GLOBAL OPPORTUNITIES

The CenterState New York region has already recognized the importance of the global economy, and has worked in partnership with the Brookings Institution to craft its Metropolitan Export Initiative (MEI). This has resulted in a program to address the opportunities in international markets through expanded export participation, as well as export discussions with more than 200 companies within the region. A full time export consultant has been hired and resources to fund the effort have been secured.

In contrast, FDI efforts to date have been inconsistent and have only addressed business attraction rather than opportunities across the full FDI spectrum. In particular, the FDI efforts have generally overlooked mergers and acquisitions (M&A) where more than 85 percent of FDI capital inflows take place. This FDI initiative is intended to work alongside the existing MEI effort, given the overlap of companies, markets, and executives across these two strategic initiatives.

Planning is Key

Without a comprehensive approach for addressing economic challenges, including a global investment strategy, the region will remain vulnerable to negative swings of the global economy and will not be effective in capturing opportunities to manage the flow of domestic and international investment into and out of the region.

The FDI planning process provided the steering committee of regional economic development partners with a structured and analytical approach to developing the rationale and implementation roadmap for capturing global investment opportunities.

Other Regional Planning is Already Underway

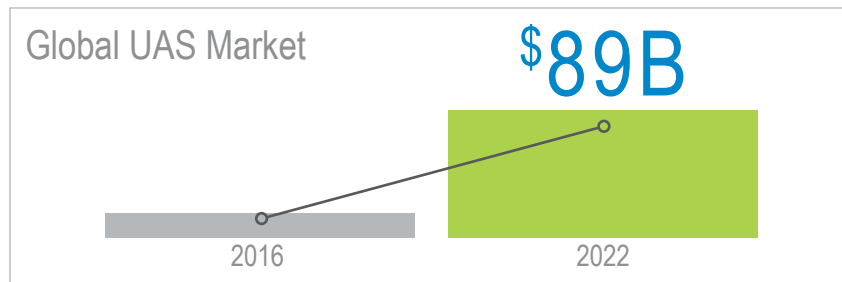
The region has recently engaged in two significant planning processes, both of which have a connection to FDI. The CenterState Corporation for Economic Opportunity (CenterState CEO), an economic development and business leadership organization in the region, has recently enhanced its focus on business attraction, retention and expansion activities. Additionally, each of the state-defined economic development regions within the CenterState New York region submitted a comprehensive investment plan in response to the New York State Upstate Revitalization Initiative competition, which has resulted in an award

of \$500 million for the Central New York region to implement its plan. The region was selected for its vision for the future and the transformative opportunities to enhance the economy. Among the plans recommended investments are for the Unmanned Aerial Systems (UAS) and food processing sectors, both of which could attract additional foreign investment to Central New York and the CenterState New York region as a whole. **In addition, the plan proposes a project to establish an inland port to improve the region's connections with international markets.**



Recent Wins Provide Leverage to Increase FDI

Exciting recent developments could open the door to significant increases in FDI. In December 2013, the Federal Aviation Administration announced that one of six federally approved UAS test sites in the country would be located in the CenterState New York region. **Given the potential UAS market size, estimated at approximately \$89 billion worldwide by 2022⁸**, and the foreign interest in entering the U.S. UAS market, the operation of a test site here creates a unique asset for bringing foreign UAS companies to the region. This has already resulted in significant interest from global UAS firms. Additionally, it was announced in August 2015 that ams AG, an Austrian computer chip manufacturer, plans to build a \$2 billion manufacturing plant in Marcy, in the eastern part of the region. This could lead to other significant investments from related sectors or supply chain companies.



Source: NASA Ames/Eric James

New York State has an Expanded Focus on Global Business



Global
NY

The State of New York has become more globally engaged through its Global NY initiative. In late 2014, the governor announced the opening of New York offices in Canada, Mexico, Europe, China, Israel and South Africa along with the creation of the \$35 million Global NY fund. The governor is also leading trade missions to five countries and state funding has been designated to help connect New York companies to global opportunities. This supplements funding the state secured through a U.S. Small Business Administration STEP grant to provide financial assistance to companies traveling abroad to promote business growth.

FDI Integrates with Prior Planning Efforts

CenterState New York's geography contains elements of five state defined regions: Finger Lakes, Central New York, Southern Tier, Mohawk Valley and North Country. Each area completes a regional economic development council (REDC) plan on an annual basis. In 2015, each also completed an **economic development plan in response to the Upstate Revitalization Initiative competition**. These efforts serve to supplement, reinforce and support the strategies developed through the CenterState New York Metropolitan Business Plan and the MEI, completed as part of the Global Cities Initiative. This FDI plan further integrates and combines with multiple related strategies of prior planning efforts to address structural weaknesses and

challenges in the regional economy. This comprehensive process allows the region to offer an additional level of value and service to firms that are critical to future economic resiliency and growth.

Given that the **existing MEI plan** and this FDI plan are closely related in terms of objectives, strategies and contacts, it is proposed that both be implemented in close cooperation with one another as part of the region's international business programs.



CenterState
New York
Global
Investment
Initiative

MARKET ASSESSMENT KEY FINDINGS

In order to further understand the current state of FDI in the CenterState New York region, a research team comprised of CenterState CEO and the Cayuga Economic Development Agency spent several months gathering, documenting and interpreting data related to current and past investment. While much of the historical data was produced by the Brookings Institution specifically for the purpose of this analysis, additional **data was gathered related to existing firms through interviews with approximately two dozen FOBs within the region.**

The companies interviewed were selected to represent both old and new investment as well as a diverse mix of geographies and business sectors. The interviews were conducted using a standard set of questions and answers and were documented for later review. In addition, regional plans, referenced previously, and other reference materials were reviewed and used to supplement Brookings data.

As the data created and reviewed for this project was extensive, a consultant was hired to work with an analyst from within the region to interpret and prioritize the findings. These findings were discussed with the working team to distill the findings to a handful of key items. While each interview and study revealed unique information it was important to focus on areas that are actionable, consistent across the region and could produce significant positive results when addressed.

Companies Contributing to this Report:

AXA, <i>Onondaga County</i>	Purine Pharma, <i>St. Lawrence County</i>
BITZER Scroll, Inc., <i>Onondaga County</i>	Quibica AMF, <i>Lewis County</i>
ELG Utica Alloys Inc., <i>Herkimer County</i>	Roth North America, <i>Jefferson County</i>
GHD Consulting Services, Inc., <i>Onondaga County</i>	Saab-Sensis Corp., <i>Onondaga County</i>
INIFICON, Inc., <i>Onondaga County</i>	SAES Smart Materials, Inc., <i>Oneida County</i>
Jain Irrigation Inc., <i>Jefferson County</i>	Omniafiltra, <i>Lewis County</i>
K&N's Foods USA, LLC, <i>Oswego County</i>	Teti Bakery, <i>Oswego County</i>
Marquardt Switches, Inc., <i>Madison County</i>	Tulmar Manufacturing, <i>St. Lawrence County</i>
National Grid, <i>Onondaga County</i>	Volpi Manufacturing, <i>Cayuga County</i>



Key Finding 1

The region's size and connectivity are an advantage.

CenterState New York's highly interconnected economic development structure and relatively small size are unique assets allowing for greater access to and knowledge of the region's firms. This high level of connectedness is an advantage over larger metro areas who deal with a more complex economic development structure and greater number of firms.

These factors allow for a better understanding of firms and the business environment, and better identification and tracking of assets that set the region apart. This could include anything from intellectual property developed at the region's higher education institutions, to new technologies or processes developed by local firms.

Interview Findings

- Several FOB firms interviewed cited a personal connection for selecting CenterState New York. One took the advice of a local economic development professional over a study from a high level site selection firm. Another knew firsthand about the region's workforce.
- Three firms interviewed mentioned a unique technology as the primary reason for acquiring a firm in the region.
- These assets, combined with connections and networking, have been and continue to be among primary reasons for locating in the region, and were referenced far more than any of the traditional cost advantages often marketed to outside firms.

The regional economic development network includes CenterState CEO, an independent economic development strategist that provides support to hundreds of businesses through business expansion, retention and attraction services, as well as resources for emerging and early stage businesses. It also maintains strong relationships with state level departments with specialized economic development programs.

CenterState CEO and partners, including the Industrial Development Agencies representing each of the 12 counties in CenterState New York, provide extensive resources to reach businesses across the region. The CenterState Chamber Alliance, consisting of CenterState CEO and the Cayuga, Cortland and Oswego-Fulton Chambers of Commerce, provides further coverage for the region, reaching nearly 3,500 businesses across their memberships.

The region's higher education community, with leadership highly engaged in economic development initiatives, further strengthens the prospects for successful FDI. There are 35 colleges and universities in the region

with 140,000 college students, roughly 10 percent of the entire region's population. Many of these students are international. For example, approximately 15 percent, or roughly 3,000, of Syracuse University students are from outside the United States. Furthermore, these institutions already have functional relationships with economic development partners in the region; several college presidents are members or directors of CenterState CEO, and are represented as co-chairs of the state-designated Regional Economic Development Councils.

This network of partners, businesses and academic leadership provides connections to most of the FOBs in the region. Most of the companies interviewed for this initiative are already members of CenterState CEO or have connections with one of the region's economic development partners. This alliance of partners, many of whom contributed to this FDI study, provides a strong foundation to effectively advance global investment strategies in the region.

Key Finding 2

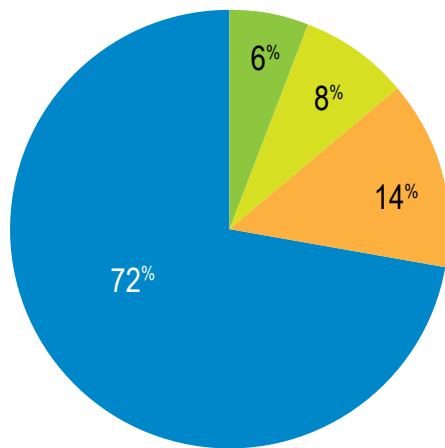
CenterState New York's location and natural assets offer advantages to specific business sectors and geographies.

These factors can add value to new and acquired businesses, particularly for certain geographies, such as Europe and Canada, and business sectors, such as food production and distribution.

Canadian firms make up 11 percent of CenterState New York's FOBs, which could partially be explained by the region's proximity to Canada. This is important for small and medium sized Canadian enterprises who hope to have the same management involved in multiple locations. One Canadian company felt the region offered an opportunity to reach a number of their customers on the East Coast while still being close enough to its Toronto headquarters to allow management to be actively involved in both locations.

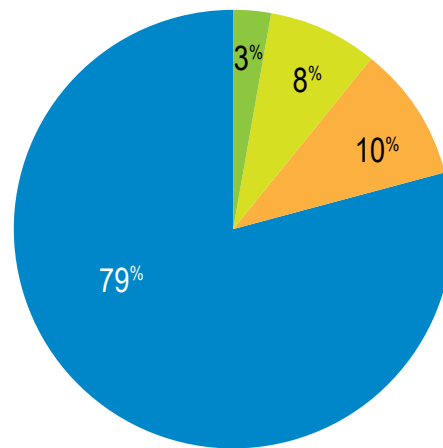
CenterState New York is also relatively close to Western Europe in comparison to most of the United States, and Europe is an important player in the region's FDI market. In fact, 72 percent of the region's FOBs and 79 percent of FDI employment come from Europe. Of the top 10 ranked nations for FDI employment in CenterState New York, seven are European, including all of the top four.

FOBs by Source
12-county CenterState NY Region



Total FOBs counted = 418

FDI Employment by Source
12-county CenterState NY Region



Total employees counted = 19,957

■ Europe
■ North America
■ Asia
■ Other

Interview Findings

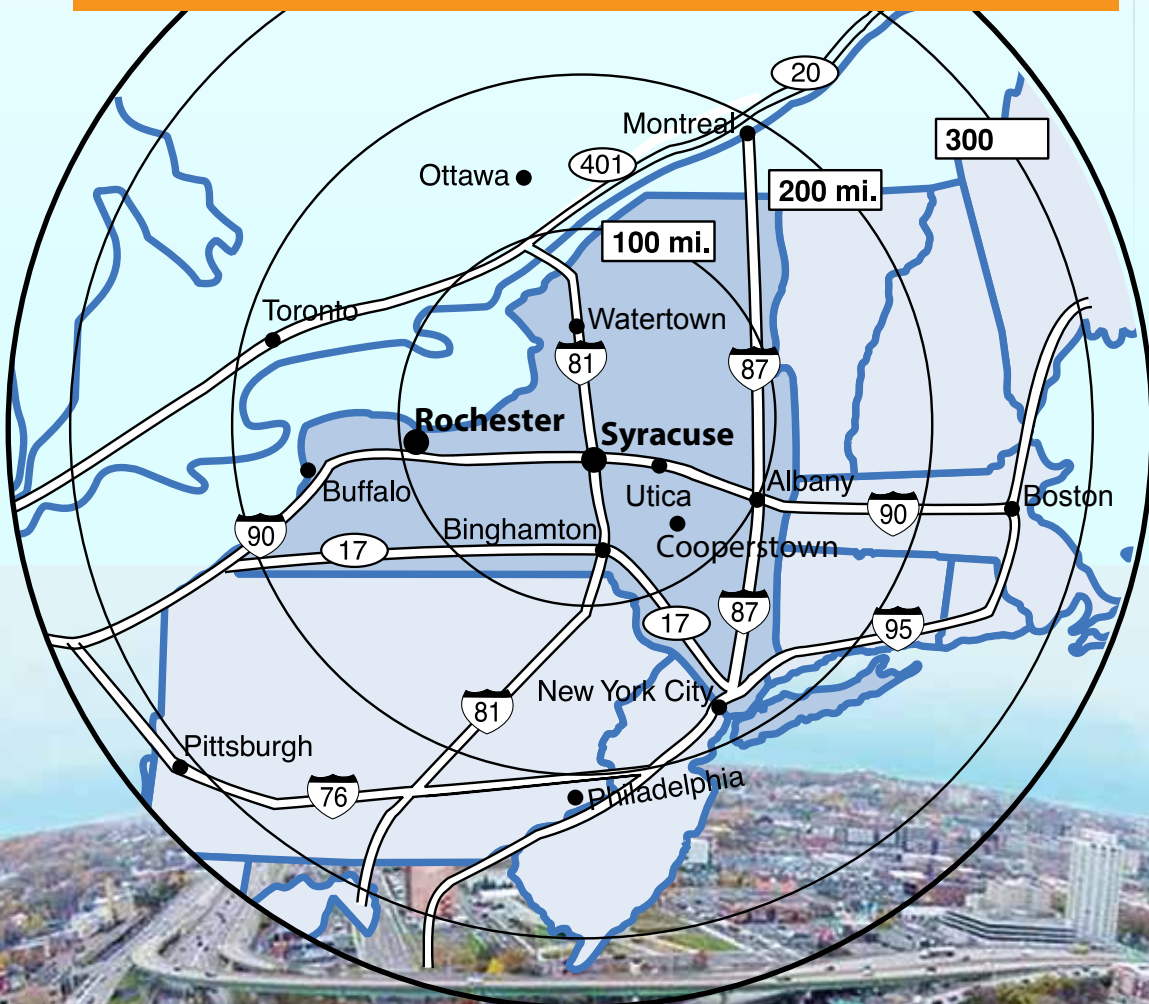
Interviewees listed several reasons why European firms should locate in the region:

- ease of entry into the U.S. market
- cost advantages
- excellent connectivity to most European countries via New York City
- working hours that overlap those in Europe, unlike many other U.S. locations

Proximity to markets is also a strength of the region. The region is geographically centered in a circle defined by the metropolitan areas of Buffalo, Toronto, Ottawa, Montreal, Boston, New York City, Baltimore, Washington, D.C., Philadelphia, Pittsburgh and Cleveland. These Metropolitan areas are home to more than 53 million people and nearly 1.5 million business establishments. This makes the region an ideal location for companies that distribute their products to consumers and market to large population centers.

Since FOBs are more likely to export than domestically owned businesses, the ability to reach these and other markets is also essential. CenterState New York's trade infrastructure includes an international airport; intersecting east west (I-90) and north-south (I-81) highways; the Port of Oswego, which links the Great Lakes through the St. Lawrence Seaway to the Atlantic; and rail and highway infrastructure that ties the region to the Port of Montreal and the Port of NY/NJ.

Access to 1.5 Million Businesses & 53 Million People



Planning is underway for the development of an inland port, which will make it easier and less expensive to move products and services to and from global markets. The Upstate Revitalization Initiative (URI), which resulted in a \$500 million award to the Central New York region, included \$40 million for this project, adding to \$40 million previously designated by the state for the **Port of Oswego** to link the Port of NY/NJ, and create additional intermodal rail yards in Syracuse. This enhanced infrastructure will be particularly valuable to manufactured products and agricultural firms.



Source: Port of Oswego

Furthermore, the region has examples of success related to its agricultural resources and location. **Food processors and manufacturers, such as Agrana Fruit U.S. Inc., Teti Bakery and K&N's Foods USA LLC, have recently located within the region.** In addition, international businesses, such as Fage, have located in Upstate New York to take advantage of the region's large milk supply. With the growing international demand for food (see for example, the report Global Agriculture toward 2050, from the U.N.'s Food and Agriculture Organization⁹) the region's large supply of water and relatively inexpensive agricultural land are assets that could attract other worldwide food producers.



The URI calls for \$50 million to be allocated to assist with business attraction and expansion in the food production and packaging sector, based on the region's "resilient climate, affordable land, abundant water and deep agricultural expertise." New York State is expecting regions to attract at least five private dollars for URI projects for every public dollar they contribute.

Protecting the region's significant water and other natural resources is essential as they offer great value to firms. The region sits on the eastern end of the Great Lakes, stretches into the Finger Lakes, and some northern areas of the region get more than 300 inches of snow each year that turns into spring runoff. The region also boasts significant wood resources.



St Lawrence Seaway, Lake Ontario; Source: <http://www.goboatny.com>

Interview Findings

One company interviewed stated that they are here because of the forests in the Northeast. They use wood to manufacture their products and it could be cost prohibitive to locate in an area that does not have these resources.

Past experience indicates that the initial capture of an FOB is not sufficient to hold it in the region if the business later realizes that the resources it needs are elsewhere. For example, a company from the United Kingdom initially located in CenterState New York, but subsequently relocated operations due primarily to the realization that the region, while able to support the firm, was not the best fit because it did not have the resources and networks the firm needed. As such, not all FDI should be targeted. If a company doesn't fit here, it might not be worth actively pursuing.

Key Finding 3

In some instances, local firms that have merged with or been acquired by foreign firms have become more resilient.

It is an economic reality that mergers and acquisitions (M&A) are a leading form of FDI. Engagement with FDI firms will lead to better outcomes for the region than ignoring M&A opportunities.

M&A by foreign firms can have varied outcomes depending on the investing firm and its intentions. A few high profile cases that led to closures and job losses have contributed to local fear of foreign investment and acquisition. This uneasiness has been felt by foreign firms in initial interactions with the region. Two companies reported feeling unwelcomed in the community during the interview process.

However, M&A projects with positive results do not garner as much public attention. There are many examples of M&A activity helping a struggling firm to recover, stabilize, and grow, and create investments, wealth and jobs in the region. Examples of positive results from M&A activity within the region include:

- Marquardt Switches, Inc has expanded more than a half dozen times since acquiring Marcom Switches in 1981.
- Novelis Inc. has invested more than \$500 million in the region since 2005.
- National Grid's acquisition of Niagara Mohawk enabled the utility company to make investments in its infrastructure.
- AXA's acquisition of MONY created mutual advantages, retaining many of MONY's employees while positioning the new organization for sustainability and growth.
- Saab's acquisition of Sensis has enabled the company, now Saab-Sensis, to continue its operations locally.

AXA, Onondaga County



While M&A activity is outside the control of the region, the ability to influence the outcomes is increased through greater engagement in the process. Additionally, certain types of M&A activity are more likely to succeed than others. Often the motives of the investing organization are an important determinant of the eventual impact an acquisition will have on the region.

CenterState
New York
Global
Investment
Initiative

Key Finding 4

CenterState New York's economy has seen growth in advanced industries. This creates opportunities to attract new FDI.

Following a period where many of the region's larger employers, such as General Electric, General Motors and Carrier Corporation, have moved their manufacturing operations elsewhere, advanced industries are beginning to play a larger role in CenterState New York's economy.

For instance, advanced industries account for 16.7 percent of total output in the city of Syracuse, CenterState New York's largest metro area. This output ranks 37th among the top 100 largest metros in the U.S.¹⁰ Furthermore, the region has seen employment gains in certain service-oriented advanced industries (see Table 1).

Key Terms:

Advanced Industries: A sector that encompasses 50 industries that invest heavily in technology innovation, and employ skilled technical workers to develop, diffuse, and apply new productivity-enhancing technologies.

Traditional and high-tech manufacturing also remain in the region. The region saw an increase in certain high-tech manufacturing sectors (medical technology, electronics) from 2008-2014.

Interview Findings

- Traditional manufacturers remaining in the region report that the base of suppliers in the immediate area has declined, making it more difficult to find the materials and inputs they need.
- Furthermore, several companies interviewed in the traditional manufacturing arena mentioned that their existing workforce is reaching retirement age and they are becoming increasingly difficult to replace. One of the companies interviewed linked this workforce challenge to the demise of larger corporations. Small and medium sized manufacturers are less able to invest heavily in training, but were previously able to hire trained workers who had left these larger firms. Now they struggle to recruit trained workers and no longer benefit from the training budgets of the larger corporations.
- Some companies have already taken steps to address this situation on their own. One German company is using an apprenticeship model that is common in Germany but rare here in the U.S. Part of the parent company's evaluation of the local facility is based on how well this apprenticeship is progressing.

Table 1: Employment in All Firms (2012) and Percent Change (2000-2012)

	CenterState NY		New York State		U.S.	
	Employment	Change	Employment	Change	Employment	Change
Architecture and Engineering Services	5,116	7.3%	63,461	10.7%	1,382,720	7.4%
Computer Systems Designs	3,695	67%	94,690	15.3%	1,630,641	24.1%
Management Scientific and Technical Consulting Services	2,060	175%	60,497	28.8%	1,130,143	57.2%
Scientific Research and Development	3,769	51.9%	50,914	7.1%	654,755	19.2%

Source: New York State Department of Labor; <http://labor.ny.gov/stats/LSQCEW.shtm>

FOBs are no exception to this trend. FOBs in advanced industries have consistently made up 10 to 15 percent of all FOBs in the region from 1991 to 2011, and those firms have accounted for 38-48 percent of all employment in FOBs during the same period. This level of advanced industry employment in FOBs compares to the top 15 largest metros in the U.S., of which only two others besides Syracuse are in the Northeast.

CenterState New York has the capacity and resources to help these types of businesses thrive. First, the region's 35 higher education institutions represent a concentration that is five times the national average. Roughly one in every 10 people in the region is a college student, and the region produces thousands of graduates each year with scientific, technical, business and professional degrees.

Table 2: Selected Degrees Awarded by CenterState NY Institutions, 2013-2014

<i>Degree Category</i>	<i>Assoc.</i>	<i>Bach.</i>	<i>Mast.</i>	<i>Ph.D.</i>	<i>Certificates</i>
Agriculture, Agriculture Operations and Related Sciences	98	554	64	26	
Computer and Information Sciences and Support	220	591	435	26	120
Engineering, Engineering Technologies and Engineering-related Fields	262	1547	955	179	17
Biological and Biomedical Sciences	0	1555	101	105	0
Mathematics and Statistics	0	292	117	30	0
Physical Sciences	0	456	95	103	15

Source: Institute of Education Sciences; <https://nces.ed.gov/ipeds/Home/UseTheData>

Another driver of growth in advanced industries is the designation of one of only six Federal Aviation Administration approved test sites in the United States for Unmanned Aerial Systems (UAS) in the region. This designation has attracted worldwide attention from industries which need to certify their products in the United States. The Central New York 2015 Upstate Revitalization Initiative (URI) proposal will provide a source of funding in the amount of \$250 million to support the growth of this and other related industries, such as "data to decisions," cybersecurity, and security for the internet of things, which are growing throughout the region. This capital resource is an unprecedented opportunity to invest in these industries of the future.

Felix Schoeller, Oswego County



CenterState
New York
Global
Investment
Initiative

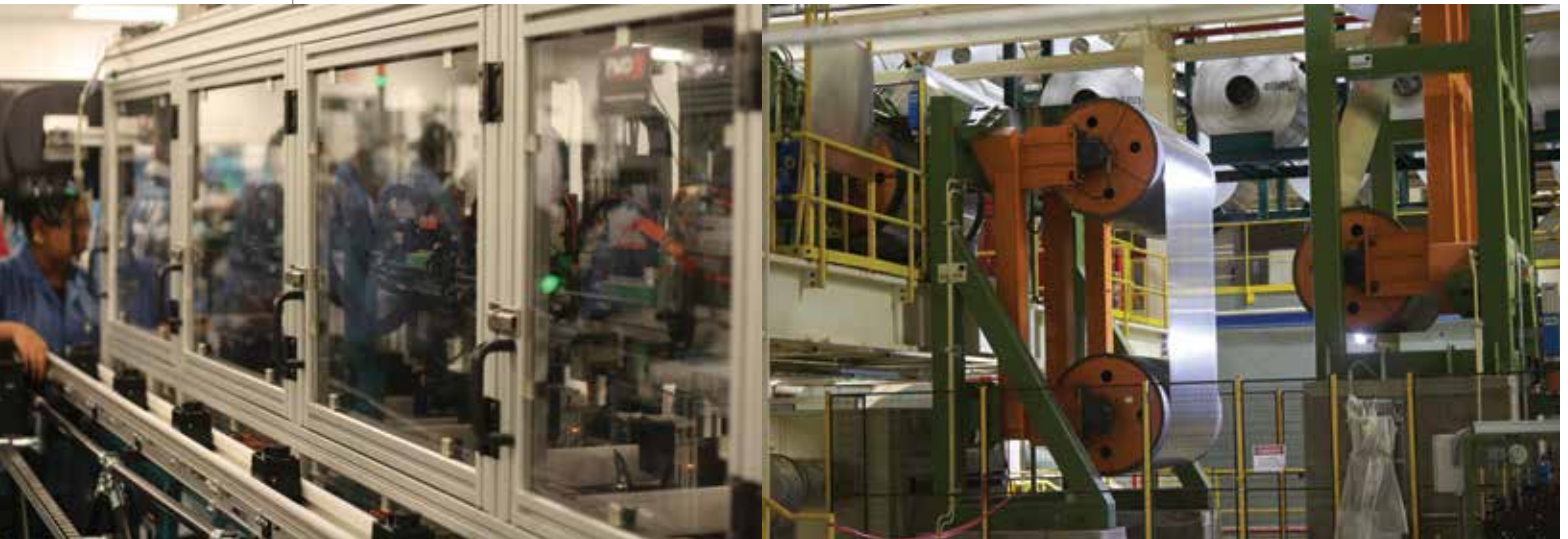
Key Finding 5

Foreign-owned businesses need at least as much aftercare as locally-owned firms. Yet foreign firms often don't know who to contact for assistance, or the assistance needed is not readily available.

Successful attraction of foreign investment is just one factor of growth. Establishing a long-term partnership with FOBs may prove more valuable in terms of new jobs and investments as they grow and expand their foothold in the United States.

In addition, it is important to make firms feel welcome and ensure that they successfully navigate their new location until they are up and running. The knowledge resources currently available in the region are not sufficient to meet these needs.

Recently FOBs have expanded multiple times in the region as their domestic and international markets expanded. The importance of FOB growth to the region is worth the investment required to ensure they have the resources they need to succeed. Recent examples of FOBs exhibiting significant growth include Novelis Inc. and Marquardt Switches.



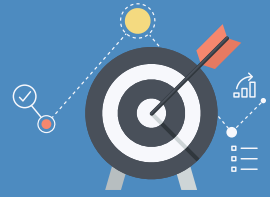
Marquardt Switches Inc., Madison County

Novelis Inc., Oswego County

Interview Findings

- Two interviews with FOBs who have recently started operations locally indicated that they are currently losing money, and that their operations are being supported by the parent companies. This was anticipated based on the startup of new operations but is not a condition that will be supported indefinitely.
- Other interviews indicated that even if profitable, new operations in the U.S. often face startup challenges which need attention. Some FOBs expressed that they found it difficult to locate local suppliers, and some noted transportation logistics of smaller shipments as a challenge. CenterState New York's economic development network has the capacity to help with these challenges as they are made known.

GOAL & OBJECTIVES



GOAL

Strengthen the region's competitiveness in the most promising global markets to attract new investments, expand the FDI pipeline and accelerate the growth of its businesses, while increasing prosperity for its residents.

OBJECTIVES

1. Implement a comprehensive FDI initiative over the next five years that will serve to educate businesses, policy makers and economic development professionals about the opportunities and challenges inherent in foreign direct investment. This initiative, alongside the MEI, will lead to greater global connectedness and increased exports and foreign direct investment for the region.
2. Utilize existing FOBs and other business and community partners to increase the region's recognition within the most important markets in order to drive additional FDI leads.
3. Add 10 projects in agribusiness and advanced industries, identified as critical to the region's future, to the FDI project pipeline in the next five years.
4. Build the infrastructure to support exports, imports and FDI.

STRATEGIES & TACTICS



Strategy 1: Focus on Industries of the Future

Promote the region as a hub for UAS, data to decisions, engineering, technical services, biotechnology, environmental systems and agribusiness.

Several high-tech and agriculture sectors are identified in previous strategic planning documents, including multiple REDC and URI plans and the Metropolitan Business Plan, developed with Brookings for the 12-county CenterState New York region, as areas of opportunity for growth. The region should take a forward-looking approach to pursuing businesses in these industries identified as critical to future growth.

CenterState New York has a highly trained workforce, base of existing advanced industries, and infrastructure to support further growth and attraction of these industries.

Tactics

- Showcase the region's growth in service-related advanced industries, particularly consulting services and scientific research and development, utilizing traditional marketing efforts and international trade shows to attract FDI.
- Create a formal network of advanced industry firms and explore how they feed into and support one another. This will provide better intelligence and help attract other firms interested in investing in advanced industries.
- Identify and target foreign firms that utilize advanced industry services and may be looking for entry to the U.S. market.
- Identify potential common international suppliers to the region's advanced industries, and market to them to locate in CenterState New York.
- **Promote post-secondary educational offerings in the region that can be used to support companies in various advanced industries** through workforce training, research and development support, IP creation and advancement, etc. Examples include Syracuse University's College of Engineering and Computer Science and School of Information Studies; SUNY Oswego's Department of Electrical and Computer Engineering; the Schools of Engineering at Cornell and Clarkson Universities; the Syracuse Center of Excellence in Environmental and Energy Systems, the CNY Biotech Accelerator at SUNY Upstate Medical University and the recent creation of SUNY Polytechnic, which will focus on information technology and cybersecurity in Rome/Utica.
- Promote the region's UAS test site, one of six in the U.S., and its expertise in data to decisions, predictive analytics, sensing and engineering and technical services, to attract global unmanned systems companies to the region.
- Continue to address workforce challenges at every level: entry, middle-skill and experienced. Target efforts to support existing and new manufacturers such as a program to certify more students for entry level manufacturing jobs, and develop an apprentice program to increase the availability of middle skilled employees. Central New York included a workforce development platform in its 2015 URI proposal, which will provide a base of funding to support this initiative.
- Promote the air, port, rail and road infrastructure that connects the region to large global markets. Support the advancement of an inland port, proposed as part of Central New York's URI, to better connect regional companies to the world by providing a more efficient means to move goods by rail into and/or out of the Port of NY/NJ.



Strategy 2: Leverage Connections

Utilize the region's relatively small size and integrated economic development model to build networks that attract and guide FDI, and build stronger relationships with and knowledge of existing firms of all sizes.

- Tactics**
- Leverage the connection with the Global NY resources in New York State to gain more traction with Global NY resources abroad.
 - Create a formal workgroup from a subset of existing FOBs. Utilize this group to identify and address challenges that limit or prevent the region from attracting additional FDI.
 - Utilize the existing exporting network to build connections in the countries to which firms in the region already export.
 - Utilize existing relationships with the colleges in the region to maintain contact with alumni all over the world.
 - Utilize existing partner organizations, such as the Manufacturers Association of Central New York (MACNY) and MedTech, to stay informed about the breadth of specialized capabilities and assets in the region.

Strategy 3: Engage Rationally

Focus on Europe, Canada and business sectors that are a match for this location, URI initiatives and assets.

The region is in an advantageous position to pursue opportunities from Europe and Canada from a geographic, language and cultural standpoint. In addition, the region has advantages in certain business sectors due to financial or natural assets.

- Tactics**
- Prioritize the Global NY offices around the world with which to engage, primarily London, which covers Europe, and Toronto, which covers Canada.
 - Promote the region abroad, focusing specifically on supply chains. Begin to identify common suppliers and customers who might benefit by having a presence in the region by exploring the supply chains of existing firms.
 - Promote the ease of getting from Europe to Upstate New York via New York City, as well as the advantages of working in the region while spending weekends in one of the aforementioned metropolitan areas. Market the region as one that permits businesses to easily reach Canada and the United States while overlapping business hours with Europe every morning.
 - Look for industries with intensive water use such as food processing. The URI will enhance this strategy with the development of "New York-Grown, New York-Certified- Safe and Market Ready" branding, initiatives that will aim to establish strong consumer preference for Central New York agricultural products by building a powerful brand identity built around quality and certified safety. The initiative will utilize the region's natural resources and innovative technology to strengthen dairy, fruit, and vegetable industries resulting in increased food production and processing.

Roth North America, Jefferson County

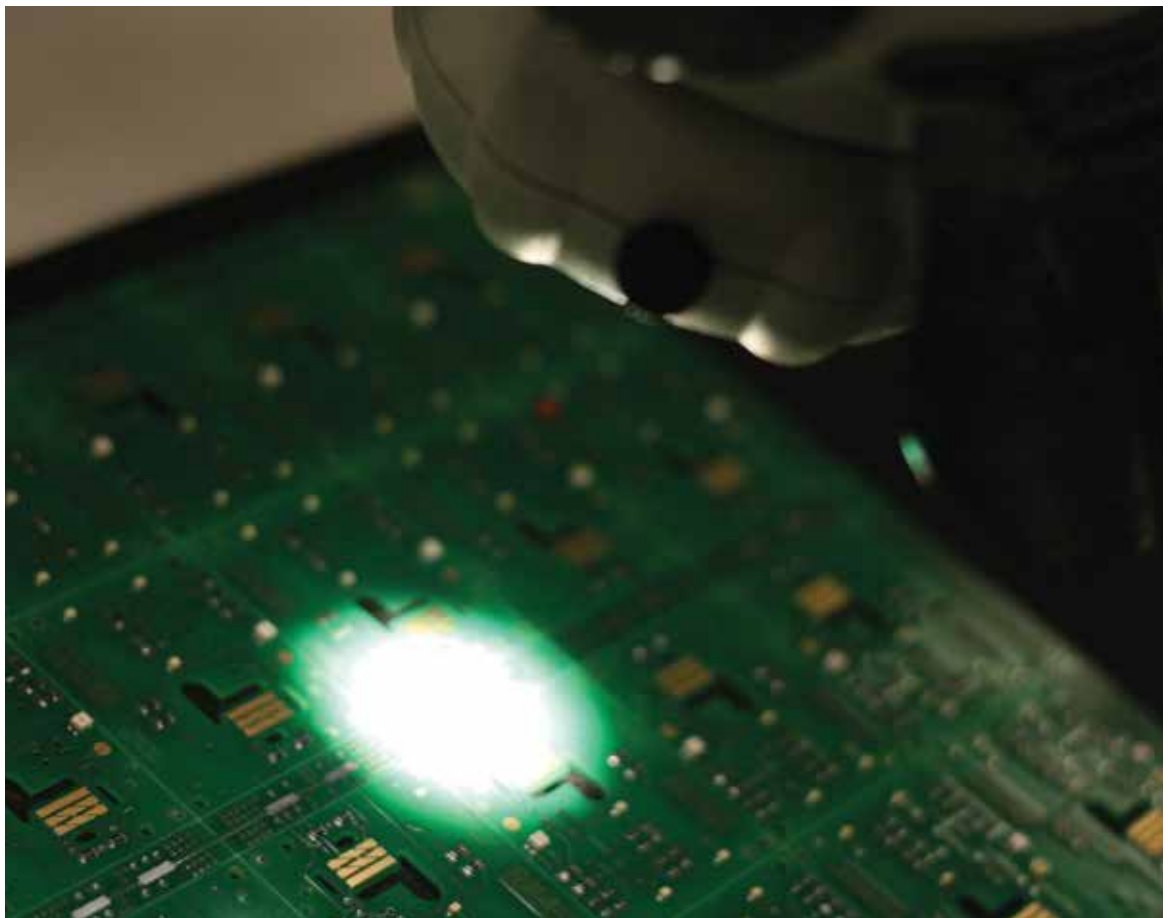


Strategy 4: Leverage M&A to Address Capital, Technology and Market Challenges

Actively seek to identify and connect legacy industries and struggling, companies to regional M&A service providers and foreign investors. Facilitate a process based on historical outcomes that will produce positive results for these companies and the community.

Tactics

- On an ongoing basis, review data on firms in the region (revenues, jobs, exports, investments, debt, etc.) to identify red flags indicating which of them might be struggling financially. Reach out to these firms to find out if they are considering M&A and/or foreign investment as an option.
- Document the results of M&A activity to date, including the investment strategy and reasoning behind successful M&A activity. Use this information to educate CenterState CEO members and other regional small and medium-sized enterprises, as well as any firms identified through the process above, about the potential benefits of M&A.
- Use existing networks to help any firms identified as M&A seekers or targets connect with potential foreign buyers.
- Utilize CenterState CEO's public relations tools, such as newsletters and high profile events, to highlight successful M&A activities in the region. Furthermore, work with businesses, business organizations, and media to publicize FDI success stories in hopes of creating a more welcoming environment for foreign investment.



Strategy 5: Make Sure FOBs Know They are Welcome and Supported

Support firms that are established in the region through greenfield and M&A investments to help ensure their growth and expanded foothold in the U.S. market; these firms are susceptible to relocation out of the region if they are not adequately supported.

Tactics

- Recognize that firms that are new to the U.S. market may have needs beyond those of domestic firms, or may not have extensive knowledge of potential customers, suppliers, talent, or financial resources. Assign a support specialist to nurture FOBs from the time they decide to invest here, recognizing these unique challenges and the significant growth opportunities these firms represent.
- Build personal connections with the company's ownership and management. Make sure that the foreign owner knows to contact CenterState CEO and its partners in the region if they have any needs or face challenges. Proactively reach out to new locally-based managers and help connect them to the community, particularly if they are a foreign national and unfamiliar with the region. This could include welcome packages, invitations to business meetings and events, and introductions to other local companies.
- Determine a method to track sales from the facility. A growth in U.S. market penetration could be a clear signal that the firm will need to grow. Look to convince them to keep that growth in the region. It will be the responsibility of the FDI support specialist to work with local FOBs to determine the health of their sales and revenues.
- The FDI support specialist will look for any signs of stress with the new FOB, and help them overcome whatever problems arise by connecting them with any applicable CenterState CEO partners. They may be less familiar with resources in the community to help them address business challenges.



IMPLEMENTATION



As a leading economic development entity in the region and organizer in this FDI planning initiative, CenterState CEO will convene economic development partners to address the strategies and implement the tactics outlined. FDI opportunities will be addressed alongside the region's existing international business programs, including the Central New York International Business Alliance (CNYIBA).

Developing additional resources to better utilize the large population of international students and growing number of refugees that come to the region will be evaluated.

State and local government agencies will also play a role. Global NY provides personnel in foreign locations who can help to spread the region's message to companies considering a U.S. location, and state grant money is available to support this effort. Local government entities can add support by supplying personnel, financing and other resources to attract foreign investment and companies. They can also work to ensure a welcoming environment for foreign investment.

The implementation of this CenterState New York Global Investment Initiative also involves:

- researching and meeting with local companies;
- organization of local companies into an FDI network to help address challenges and promote the region to other international organizations;
- increased aftercare for FOBs as they begin operation in the CenterState New York region;
- promotional activities, including trade show and trade mission participation
- lead follow-up; and
- intraregional communication.

In addition to expanding the scope and scale of FDI efforts, the implementation will involve increased coordination with other groups within the region to address issues identified as barriers to attracting, operating and growing businesses in the CenterState New York region. For example, various groups are already addressing the issue of developing skilled workers, but none are emphasizing the apprenticeship model suggested by German companies in the region.

Implementation of this initiative will require some level of trial and flexibility. During implementation, close attention will be paid to the success and acceptance of various activities, with the idea of scaling those that find acceptance and discontinuing those that prove to be unproductive. For example, aftercare will be provided to a small group of companies to see if it can be developed in a way that provides actual benefits at manageable cost. Once this has been refined, it will be expanded to a larger group. The same approach will be taken with developing an FDI network. For example, it is not yet known if this should be organized by country of origin or business sector.

The high level project plan includes:

Plan rollout	Q2-Q3 2016
FDI cluster formation	Q3 2016 – Q1 2017
Aftercare development	Q3 2016 – Q1 2017
Aftercare staffing	Q2 2017
Trade shows, trade missions and proactive attraction efforts	ongoing

Marketing, communication, and public relations activities will include:

- Scheduling meetings for interested parties, consisting of local business people, export professionals and other stakeholders to begin to formalize the FOB cluster.
- Utilizing publicly visible avenues to widely publicize this effort, such as the CenterState CEO and CNYIBA websites, or local media (e.g., CNY Business Journal).
- Establishing a web presence to provide information and create a venue to engage those interested in joining the initiative.

PERFORMANCE MEASUREMENT

Unlike others types of economic data, FDI information is not always captured in a census or other formal report, adding to the complexities of improving FDI in the region. Another challenge is that not all of the factors impacting investment are under regional control. Exchange rates, energy costs, incentive programs and even real estate availability can impact the success of a given project.

Given these challenges, performance measurement of this initiative will focus on those areas which we are able to monitor, and over which there is some control.

1. **Aftercare** - As mentioned in the plan, new FDI projects can struggle to get a foothold in a region because they lack the knowledge and connections that can help them succeed. With this in mind, the goal will be to meet with each new FOB at least twice per year for the first five years they are in the region. This will help to support the new FOB and may also serve to uncover additional challenges or assets not previously known.
2. **Prospects** - Add 10 projects in agribusiness and advanced industries, identified as critical to the region's future, to the FDI project pipeline in the next five years. These will be projects where the economic development organizations of the region have had significant participation in the securing and nurturing the project. Projects, such as certain M&A activity that may happen quietly and with little participation from outside organizations, will not count toward this goal.
3. **Approach** - As we refine efforts during implementation of this plan and what is learned through continued engagement with FOBs, the effectiveness of this plan's approach will be measured by evaluating statistics as indicators of success, such as number of leads, number of site visits and conversion rate of prospects.



SUMMARY OF KEY POLICY PROPOSALS

In addition to proposals for strategies and tactics directly related to FDI, some policy concepts were identified that could support FDI in the region. These concepts are intended to address existing and anticipated issues related to operating a foreign-owned business in the CenterState New York.

One suggestion is for government entities at the state and federal level to allow grant funding to be used to cover operating costs including staffing costs. Grants typically cover program related costs but other money must be found to cover costs associated with staffing the program.

Workforce development continues to be a challenge for businesses in a variety of industries. It is important to address this challenge in order to attract and grow businesses. There are models of successful workforce development, such as the apprenticeship model used by German-owned companies in the region, which should be looked to for broader implementation. To do this, both the public and private sectors should incentivize training of workers. As an example, workers could be allowed to work tax free while they are in an approved apprentice program.



BIBLIOGRAPHY

- ¹ International Monetary Fund. (2015 April). World Economic Outlook, Uneven Growth: Short-and Long-Term Factors. Retrieved from <http://www.imf.org/external/pubs/ft/weo/2015/01/>.
- ² United Nations Conference on Trade and Development. (Release date unknown). Foreign direct investment: Inward and outward flows and stock, annual, 1980-2014. Retrieved from <http://unctadstat.unctad.org/wds/TableView/tableView.aspx?ReportId=96740>.
- ³ Saha, D., Fikri, K, and Marchia, N. (2014, June). Brookings Institute. FDI in U.S. metro areas: The geography of jobs in foreign-owned establishments. Retrieved from <http://www.brookings.edu/~media/research/files/reports/2014/06/20-fdi-us-metro-areas/metrofdi.pdf>. Note: Total compensation includes benefits and pension contributions, in addition to wages and salaries.
- ⁴ U.S. Bureau of Economic Analysis. (2013, August). U.S. Affiliates of Foreign Companies: Operations in 2011. Retrieved from https://bea.gov/scb/pdf/2013/08%20August/0812_us-affiliates.pdf.
- ⁵ Bernard, Andrew B., and Jensen, J. Bradford. (1999). Exceptional exporter performance: cause, effect, or both? *Journal of International Economics*, (47), 1-25.
- ⁶ Jargowsky, Paul A. (2015, August 7). Architecture of segregation. The Century Foundation. Retrieved from <http://apps.tcf.org/architecture-of-segregation>.
- ⁷ Confidential study by a financial institution.
- ⁸ Teal Group. (2013, June 17). World Unmanned Aerial Vehicle Systems, Market profile and Forecast 2013. Retrieved from <http://tealgroup.com/>.
- ⁹ Global agriculture towards 2050. (2009, October 13). Food and Agriculture Organization of the United Nations. Retrieved from http://www.fao.org/fileadmin/templates/wsfs/docs/Issues_papers/HLEF2050_Global_Agriculture.pdf.
- ¹⁰ Muro, M., Rothwell, J., Andes, S., Fikri, K., & Kulkarni, S. (2015, February). Brookings Institute. America's advanced industries: what they are, where they are, and why they matter. Retrieved from <http://www.brookings.edu/research/reports2/2015/02/03-advanced-industries#/M45060>.

ACKNOWLEDGEMENTS

Special thanks goes to those members of the steering committee, research team, regional partners and staff for their support in the development of this metro investment initiative:

Don Alexander, Jefferson County Industrial Development Agency
Brian Anderson, National Grid
Bob Aronson, Seneca County Industrial Development Agency
Brad Banikowski
Jochen Becker, Marquardt Switches, Inc.
Tom Blanchard, CenterState CEO
Joe Brown, Roth North America
Michelle Capone, Development Authority of the North Country
Pamela Caraccioli, SUNY Oswego
Julie Cerio, Onondaga County
James Cullen, BITZER Scroll, Inc.
Steve DiMeo, Mohawk Valley EDGE
Andrew Fish, CenterState CEO
Mike Gerry, SAAB-Sensis Corp.
Kipp Hicks, Madison County Industrial Development Agency
Patrick Kelly, St. Lawrence County Industrial Development Agency
Steven King, CNY International Business Alliance
Alex Klein
Jimmy Koid, K&N's Food USA, LLC
Ed Kowalewski, New York State Department of Economic Development - International Division
Mark Kulpa, Wipro
Peter Maier, INFICON Inc.
David Mankiewicz, CenterState CEO
Mike Novakowski, CenterState CEO
Shawna Papale, Mohawk Valley EDGE
Eric Virkler, Lewis County Industrial Development Agency
Dan Rutherford, Watertown Local Development
Robert Simpson, CenterState CEO
Benjamin Sio, CenterState CEO
Chris Smith, Novelis Inc.
Michael Stamm, Tompkins County Area Development
Michael Szidat, Felix Schoeller North America
Franco Teti, Teti Bakery
John Tracy, U.S. Commercial Service, U.S. Department of Commerce
Michael Treadwell, Operation Oswego County
Garry VanGorder, Cortland County Business Development Corp.
Tracy Verrier, Cayuga Economic Development Agency

This report was developed by CenterState CEO and regional economic development partners through the collaboration of political, business, and civic leaders in the 12-county CenterState New York region. The conclusions and recommendations of this report are solely those of its authors and do not reflect the views of the Brookings Institution or JPMorgan Chase. The Brookings Institution is a private nonprofit organization. Its mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations for policymakers and the public. Brookings recognizes that the value it provides is in its absolute commitment to quality, independence and impact, and makes all final determinations of its own scholarly activities in the Global Cities Initiative, including the research agenda and products.

CenterState
New York
Global
Investment
Initiative



About CenterState CEO

CenterState CEO is an independent and forward thinking economic development strategist, business leadership organization and chamber of commerce; dedicated to the success of its members and the prosperity of the region. Our vision is for a vibrant and globally connected region recognized as a place where business thrives and people prosper.

Learn more at www.centerstateceo.com



About the Global Cities Initiative

The Global Cities Initiative is a joint project of the Brookings Institution and JPMorgan Chase designed to help metropolitan leaders advance and grow their regional economies by strengthening international connections and competitiveness. GCI activities include producing data and research to guide decisions, fostering practice and policy innovations, and facilitating a peer-learning network for dissemination and replication.

For more information, visit <http://www.brookings.edu/about/projects/global-cities> or www.jpmorganchase.com/globalcities.

115 W. Fayette Street
Syracuse, NY 13202
Phone: 315.470.1800
Fax: 315.471.8545
ceo@centerstateceo.com

For more information:
Mike Novakowski
Director of Business Development
CenterState CEO
mnovakowski@centerstateceo.com