

CHINA'S TOP TEXTILE COMPANY FINDS "HIGH COTTON" SOLUTIONS IN ARKANSAS

Snapshot

The Situation

In 2015, Chinese textile manufacturer, Shandong Ruyi, wanted to expand operations North America to find cheaper energy costs, better overall quality, a multilingual workforce and access to raw cotton.

The Problem/Challenge

In the search for a new location, the company needed to find a state that could both meet their manufacturing needs and be a partner that could respond to their queries in a timely fashion.

The Solution

The AEDC was responsive to the needs of Shandong Ruyi, indicating a culture of understanding and commitment which fostered a working relationship. Part of that response included competitive incentives for bringing business to Arkansas. Ruyi Group is able to take advantage of these incentives, including up to \$4 million in grants and participation in the Create Rebate and Tax Back programs. With the Create Rebate program, the company will receive an annual cash rebate equal to 5 percent of total payroll (associated with the new jobs created) for 10 years. The Tax Back program provides sales tax refunds on building materials, machinery and equipment.

The Results

In 2017, the Shandong Ruyi Technology Group announced plans to invest \$410 million in the former Sanyo manufacturing facility in Forrest City, Arkansas. The new facility will create up to 800 jobs. Production at the new facility is set to begin by mid-2018.

The Situation

In 2015, Shandong Ruyi Technology Group, the largest textile manufacturer in China, and the world's leading innovative-technology textile enterprise, decided it was time to expand into North America. At the time, the company employed 20,000 people around the globe and had operations in Japan, Asia, New Zealand, India, Pakistan, the UK, France, Germany and Italy.



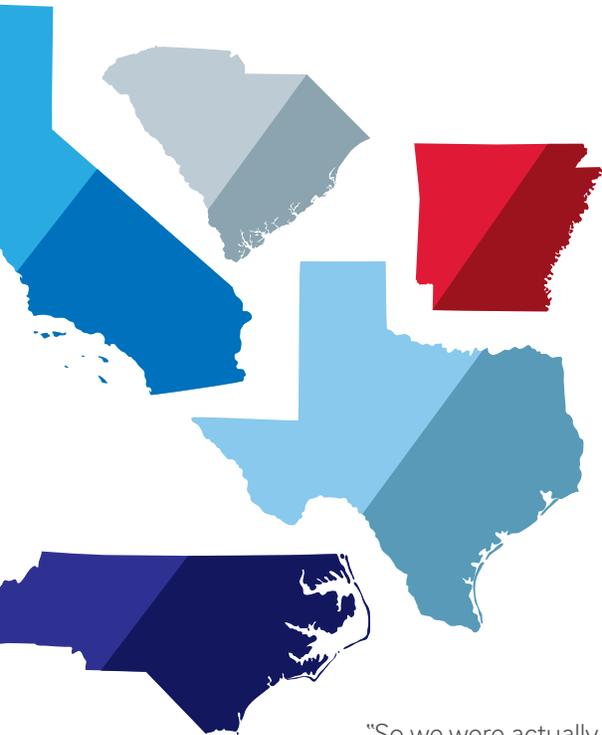
FAST FACT

Shandong Ruyi will invest \$410 million in the manufacturing facility.

"Ruyi Group is quite unique in terms of the way it operates. It's a very modern and an aggressive, vigorously growing, comprehensive textile group in a traditional industry, the textile industry. It has been number one in terms of competitiveness and the capability for innovation among 50,000 companies in China. So in a short word, it's the number one textile company in China," Ruyi Group's legal advisor, Jane Liu said.

Conducting operations in the United States would mean cheaper energy costs, better overall quality, availability of a multilingual workforce and, perhaps most importantly, more access to raw cotton. The company went in search of the ideal location to open a new manufacturing facility.

"We engaged professional advisors: commercial advisors, legal advisors, and big accounting firms. We tried hard to source their recommendations and which states would be the ideal destination for Ruyi's first investment. And we got various answers. And Arkansas was not actually on the top of the recommendation, to be honest," Liu said.



Ruyi Group started their search by seeking out the states where they would have the most access to locally grown cotton crops. These states included North Carolina, South Carolina, Texas, California and Arkansas. At the time, Arkansas was barely on the company's radar, even though the state has the fourth largest cotton crop harvest in the United States.

The Solution

The chairman at Shandong Sun Paper introduced Ruyi Group to the development director of the Arkansas Economic Development Commission, Danny Games. Ruyi is from the same region as Sun Paper Co., and Suzhou Tianyuan Garments Co., two other Chinese companies from the Shandong province that have announced major economic development projects in Arkansas over the past 12 months.

"So we were actually introduced to them through the chairman of Sun Paper. Sun Paper was an announcement that we had in April. And Chairman Lee was friends with Chairman Qiu. And he knew that Chairman Qiu was looking to establish a facility in the U.S., and shared his good experience in Arkansas. The timing was great. He was here in September of 2015 and we already had it on the governor's calendar to be in China that following November. So naturally, we spent a little bit of extra time with the Shandong Ruyi Technology Group," Games said.

FAST FACT

Ruyi plans to process more than 200,000 tons of Arkansas cotton each year.

On the surface, there were other states that would have also provided a profitable location to open the new facility, but ultimately, Arkansas won the Ruyi Group over. Several factors contributed to the decision to set up shop in the state.

Ruyi Group came on an exploratory trip to the United States and did not have much luck in the first three days of their visit to different areas around the U.S.

“At the time, we have our priority of our visiting. But the people who we met, they cannot address our queries very timely. Or we had not been receiving a very quick response like site recommendation or whatever. Anyways, we are not fully convinced or we are not very comfortable with the information made available to us,” Liu remembered.

“So while we came to Arkansas, we can feel the difference among the limited options. The people there, they are really committed to the project of attracting foreign investors in terms of creating new opportunities for the local community. And we spent...I still remember, we spent one and a half days, 36 hours, in Little Rock and West Memphis and ADC and this team, they give us very intensive agenda numerous meetings, and they gave us a recommendation of five sites,” Liu said.

But then, the group came to Arkansas.

“So while we came to Arkansas, we can feel the difference among the limited options. The people there, they are really committed to the project of attracting foreign investors in terms of creating new opportunities for the local community. And we spent...I still remember, we spent one and a half days, 36 hours, in Little Rock and West Memphis and ADC and this team, they give us very intensive agenda numerous meetings, and they gave us a recommendation of five sites,” Liu said.

Chairman Qui was immediately attracted to the fourth site on the visit, a former Sanyo plant.

“We rolled the dice and said, ‘Let us show you this building. It sounds like something you might be interested in.’ And our project manager who was out working the project at the time, Esperanza Massana, they were able to get him to the building about 6:00 p.m. one evening. He spent three hours at the

building til he ran out of daylight and flashlights and headlights, and suffice it, fell in love with the building. Large open space of formerly manufactured televisions had been probably shuttered for almost ten years,” Games recounted.

But more than a building site had to be on offer – the Ruyi Group wanted to work with people with whom they had a mutual trust. After the visit to the Sanyo plant site, the group had dinner that night in Memphis, Tenn.

"I can remember us sitting across the table and I won't go into the particulars, but we were having a particular discussion where he was taking a position. And we wanted to advise him in a different fashion. So I had to find a delicate way to be very direct, if I can put it that way. And I can remember saying, 'We just have to be honest. We have to be direct.' And I said it. And I sat across the table as my palms started to sweat and there was some interpreting going on. And I was reading his facial expression, and it came back to me that he was very appreciative of my recommendation. He agreed with me and he thought that was a smart decision, and he would go with that," Games said.

FAST FACT

The Forrest City facility will create up to 800 new jobs.

The Governor and Arkansas Economic Development Commission are committed to attracting foreign investors in terms of creating new opportunities for the local community. When the Ruyi Group reached out to the Arkansas Economic Development Commission's chairman and his team, they responded quickly and immediately formed a working relationship with the company. For the Ruyi Group, this indicated a culture of understanding and commitment that can continue to build for years to come.



"In less than a month, they were back here. They were back here, Jane was here, and then engineers were back here. So they very rapidly began their due diligence in terms of the engineering on the building and measurements, and where would equipment be placed, and what lines could be put into place," Games said.

The Arkansas Economic Development Commission continues to work with companies all over the world, offering business grants and incentives to bring their operations to Arkansas. Ruyi Group is able to take advantage of several incentives, including up to \$4 million in grants and participation in the Create Rebate and Tax Back programs. With the Create Rebate program, the company will receive an annual cash rebate that is equal to 5 percent of total payroll (associated with the new jobs created) for 10 years. The Tax Back program provides sales tax refunds on building materials, taxable machinery and equipment associated with the opening of the new facility.

Liu is very candid when it comes to what made Arkansas different from other competitors.

"[AEDC] react to very specific requests or questions so quickly, which is impressive. At that time, you can't imagine as a foreigner, we don't have much common sense. Not saying legal or financial knowledge in the business circle. Some common sense beyond our understanding, we had so many simple questions or difficult questions for them. But most of the questions can be addressed very clearly in a timely manner. That's impressive. That requires a cooperation. That gives us the comfort because when you start a greenfield project, you can never do it by yourself. You need hand holding from the government agency and also you need their guidance as to maybe some potential business partners.

[AEDC] indicates their culture of understanding and commitment, which is a very important message. And that message has been received, been read clearly from the outside," Liu said.

The Results

In May, the Shandong Ruyi Technology Group announced plans to invest \$410 million in the former Sanyo manufacturing facility in Forrest City, Arkansas. The new facility will create up to 800 jobs for people in the surrounding communities, and bring additional economic stability to Arkansas cotton farmers by providing a reliable and predictable market. Production at the new facility is set to begin by mid-2018.

“[AEDC] indicates their culture of understanding and commitment, which is a very important message. And that message has been received, been read clearly from the outside,” Liu said.

FAST FACT

Shandong Ruyi Technology Group is the largest textile manufacturer in China, and the world's leading innovative-technology textile enterprise.



Mark Hamer

Senior Project Manager, International Business Development

501-682-2551

(501) 682-7394 Fax

mhamer@arkansasedc.com