



Dominant firm in China needs Maytag to access U.S. market

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Appliance maker Haier could be looking to Maytag Corp. to relieve crushing competition in the world's most populous nation, according to an expert on Chinese businesses.

Although Haier Group is the dominant appliance manufacturer in China, innovative products brought to market there are often quickly copied by cheaper rivals, author Usha Haley said.

"It's not so much an invasion of the United States, but an escape from China," Haley said.

Haier America Trading LLC has joined with two U.S. venture capital firms to make a preliminary bid of \$16 per share for Maytag. That offer is subject to review after the Haier buyout group looks over Maytag's books for the next six to eight weeks.

The Newton-based company already has a firm offer to sell itself to a group led by New York investment firm Ripplewood Holdings for \$14 per share.

Haley is author of "The Chinese Tao of Business: The Logic of Successful Business Strategy," and she is a professor at the University of New Haven in West Haven, Conn.

Haley said Haier (pronounced higher) may want into the United States because its market is very different from that of China, where much of the population survives on a monthly income of \$100 or so.

"What they can afford is quite different from the United States," Haley said.

In China, there is a market for a combination washing machine and potato peeler that would be a non-starter with Americans, Haley said. But Haier already has staked a claim in the United States with a line of wine chillers.

The Maytag brand would let Haier move to a higher-priced market, said David Bachman, chairman of the China studies program at the University of Washington in Seattle. Like U.S. manufacturers, Haier is being squeezed by Wal-Mart and other discount chains, where it sells much of its appliances.

Haley said it's far from certain whether Haier could succeed with Maytag. Though Chinese manufacturers are efficient and managers can make decisions quickly, she said they often do poorly on branding and service. But Maytag could solve those problems, and also give Haier access to research and development technology that it lacks in China.

Haley and Bachman differed on whether a Haier takeover could threaten jobs at Maytag. Haley said it's a good bet that Haier would at least move the manufacturing of appliance components to plants in China, where labor rates are a fraction of their level in the United States.

But Bachman said fears that Haier would dismantle Maytag are overstated.

"Haier is not buying in to move things back to China, but to gain access to the U.S. market," he said.

Bachman said he expects members of Congress to try to block or delay the sale of Maytag to a Chinese company, even if no national security issues are involved. Fears have grown as traditional American manufacturing giants have become vulnerable to foreign takeover.

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