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US public ire mounts over China buy-outs

By Arun Sudhaman, 01 July 2005

Haier...apparent lack of US PR strategy could backfire for China major

China Inc's designs on US companies have raised profound communications challenges, as both CNOOC and Haier combat public opposition to their proposed purchases of Unocal and Maytag, respectively.

After making a US$18.5 billion bid for California-based oil major Unocal, 41 US congressmen have signed a letter to President George Bush, requesting a tough review of the offer. The all-cash bid came after Unocal had already agreed to a $16.3 billion cash and stock buyout by Chevron Corp.

CNOOC's public relations are being handled by Brunswick through its network of offices in New York, Beijing and Hong Kong. The company, 70 per cent owned by the PRC Government, is expected to respond to the letter by welcoming the review, according to sources close to the deal.

Meanwhile, Haier's $2.25 billion offer for American heartland giant Maytag -- makers of the iconic Hoover brand -- has spurred widespread opposition in Maytag's home state of Iowa, where newspapers such as the Des Moines Register have floated the prospect of plant shutdowns and significant job losses.

According to Tradewind Strategies CEO Joe Blumenfeld, the lack of any concerted effort on Haier's part to reach out to journalists or politicians could prove disastrous.

"I can see neglecting the national business press, but to ignore the press in Maytag's home market only fuels local concern about such a takeover," said Blumenfeld.

"I suspect Haier did not see the iconic nature of Maytag and what foreign ownership (particularly by a Chinese company) would mean in America's heartland," he said.

"Haier's demonstrated lack of understanding will be translated by opponents into a lack of commitment. This leaves the company (and other Chinese efforts in the future) extremely vulnerable to opposition... Haier's public affairs operation is either toothless or non-existent."

Ogilvy PR investor relations director Philip Lisio, who worked on Lenovo's groundbreaking acquisition of IBM's computer division, believes that the issues for Chinese companies are fraught with difficulties, given the cultural overtones at play.

"We're seeing two situations now which are being painted as pure asset purchases -- CNOOC wants energy resources and Haier wants a brand name and distribution channels," explained Lisio.

"There's no sense of protection for existing employees or real benefit for the US, beyond the short-term gain for shareholders. In such a sensitive US regulatory environment, public perception around these issues may prove to be a crucial factor in getting the deal done."

While he praised CNOOC's communications strategy, noting that "they have this very well planned out", Lisio added that political pressure sparked by national security concerns would still present a formidable obstacle to the acquisition.

"Any time a Chinese company takes over a US one, there will be a groundswell of negative public opinion," he said.