

STATEMENT OF H. WILLIAM TANAKA, COUNSEL, ON BEHALF OF CERTAIN IMPORTERS
OF ELECTRONIC PRODUCTS, A&A TRADING COMPANY, ET AL.

This statement is submitted on behalf of 13 U.S. corporations which import and distribute electronic products. We wish to register our opposition to the various bills now pending before the Committee which would impose quotas on imports of electronic products and components. We submit that there is no need for quota restrictions and that quotas would restrict the consumer's choice of products, would disrupt normal business operations, and would lead to an expansion of Government controls.

A description of the role which imports have played in the market might contribute to the Committee's understanding of the electronic industry. While it is true that imports have grown substantially, the bare statistics alone do not give an accurate picture of the actual extent of competition between imported and domestically produced electronic products. A substantial portion of the total imports represents products not produced in the United States. Innovations by foreign producers, particularly the Japanese, have served to fill the gaps in the product lines produced in this country, and have offered the consumer a full range of home entertainment products at reasonable prices.

The tremendous post-war expansion of the consumer electronics industry has been spurred by development of new products. Many items which are in wide use today were not available twenty years ago. Innovations by Japanese producers have played an important role in this expansion. Much of the original technology in miniaturization of electronic components and parts was developed in the United States for use in the military, space and industrial fields. This technology was licensed to Japanese producers who realized its vast potential in the consumer market. Their application of this technology in the production of new consumer products has made a substantial contribution towards expanding the range of items available to the American consumer today.

The development of the small pocket-size transistor radio is a prime example. The transistor was an American invention, but no U.S. company considered transistors ready for use in consumer products in 1954 when Sony Corporation obtained a license from Western Electric to make transistors in Japan. A single transistor cost \$6 at the time and there was no hope of competing with tube radios costing as little as \$6.95. (*Business Week*, May 25, 1968, page 80). But Sony executives realized that transistor costs could be substantially reduced to the point where small transistor radios could be sold at competitive prices. Within one year after acquiring the technology, Sony produced its first pocket-size transistor radio. It was shortly followed by other Japanese producers, and the transistor radio was an immediate success in the market.

The initial reaction of a major U.S. manufacturer was described in the report of an annual national business conference held at Harvard:

"Engineers and marketing personnel in GE's radio receiver department had studied the market for compact portable radios as early as 1956. Marketers had favored the addition of small sets to the company's line but believed that performance standards in such sets should be good. Engineering personnel did not believe that it was possible to have good performance in small radios. Because of the tiny speakers and cabinets that would be used, good tone would be impossible to achieve. Furthermore, such sets would have to have small antennas and their receiving sensitivity would necessarily be limited. Finally, small batteries could last only fifteen to twenty hours as compared to seventy-five to one hundred hours for batteries in conventional portable radios.

"The rapid acceptance of Japanese radios, however, had indicated the strong demand existing in the United States for subminiature sets, in spite of the fact that by GE standards these sets did not have good performance. It became apparent, then, to the management of the radio receiver department that GE should be represented in this new segment of the radio market."¹

The quality of transistor radios was substantially improved through Japanese developments in the field of miniature components. Mitsumi Electric invented the polyvaricon, a miniature tuning capacitor; while Toko invented the miniature intermediate frequency transformer. Many Japanese companies contributed to the development of improved speakers for transistor radios.

Some American producers decided to compete by using foreign components in sets assembled in the United States. Other companies imported completed sets produced to their specifications and sold under their own brand names.

¹ "Managing America's Economic Explosion", edited by Dan H. Fenn, Jr., and published by McGraw Hill Book Company, Inc., New York, 1961, page 145.