

# A Free Trade Warrior Reflects

BBE chairman John McLaren recounts how 40 years ago, a pitched battle between U.S. and Japanese piano makers permanently reshaped the industry



John McClaren, chairman of BBE Sound. Inset, in 1969 at the Tariff hearings in Washington D.C. with Hiroshi Kawashima, Yamaha president, and Loretta Stitt of Yamaha's legal counsel.

ON OCTOBER 28, 1969, PIANO MAKERS from the United States and Japan squared off before the U.S. Tariff Commission in Washington D.C. in a bare-knuckled fight over trade policy. At stake was nothing short of whether foreign-made products would be allowed continued access to the U.S. market. Forty years later, the proceedings in Washington are a dimly remembered footnote to history. With the exception of Steinway & Sons and Mason & Hamlin, all of the U.S. piano makers that made an impassioned case before the Commission are now out of business; Japan is no longer viewed as a threat to U.S. industry; the U.S. Tariff Commission has been dissolved and reconstituted as the International Trade Commission and even the building where the hearings took place has been torn down. In retrospect, however, those five days of testimony in Washington ushered in the era of free trade that transformed the industry. John McLaren, current chairman of BBE Sound, who represented Yamaha at the hearings, reflects, "They made the U.S. market more hospitable to foreign-made products. People may forget the hearings, but their impact continues to be felt."

The stage for the confrontation had been set when President John F. Kennedy signed a "Trade Expansion" act in 1962 that called for yearly reductions on import tariffs around the world. As 1969 approached, the act called for a 40% cut in tariffs on Japanese-made pianos, from 9.8% to 5.9%. Between 1965 and 1968, total U.S. piano sales had edged downward from 238,650 units to 199,980 units, while imports of Japanese pianos had surged from 4,122 units to 15,987 units. Extrapolating the two trend lines, U.S. piano makers envisioned a catastrophic future.

Although the fragmented U.S. piano industry couldn't agree on much—annual meetings of the National Piano Manufacturers Association usually deteriorated into bitter arguments—they were united in trying to slow the growth of Japanese imports. In a petition signed by 19 manufacturers, they asked the Tariff Commission not just for a delay in the tariff reduction, but for an actual increase to "protect a vital American industry." Thirteen other industries, including ice skates, sardines, umbrellas, and household china, filed similar petitions in the same year.

From the look of the room as the hearings were gavelled to order on an unseasonably warm afternoon in October, the contest seemed like a mismatch in the making. On the American side, there were representatives of all 19 piano manufacturers, a selection of piano component suppliers, and an array of heavy-weight legislators, state governors, and union officials, all unified by the goal of slowing piano imports. On the opposite side of the room was a far smaller contingent consisting of representatives from Yamaha and Kawai and a few retailers. In 1969, there were no potent politicians ready to stand up for an importer.

The Tariff Commission had originally set aside three hours to hear testimony from each side. However, as U.S. and Japanese representatives began jousting, the commissioners kept granting requests for additional time, until five days had passed. The lead witness for the U.S. side, Morley P. Thompson, had argued that the piano industry was "under assault by a carefully planned Japanese invasion." He added that "through lower labor costs, artificially low cost of capital, and heavy government subsidies," the Japanese piano companies threatened the "future of an industry that offered employment for more than

5,000 and was a vital cultural institution. "The piano industry has provided the foundation for music education in the United States," he said.

Thompson was a compelling and experienced spokesman and received nods of approval from all nine Tariff Commissioners. Five years earlier, he received accolades for his persuasive testimony before several Congressional committees that led to the repeal of an onerous excise tax on musical instruments.

John Bell, the governor of Mississippi,

which at the time was home to two Wurlitzer plants and a Baldwin plant, amplified Thompson's claims. "The piano industry has been part of a long struggle to give the citizens of Mississippi a better way of life. The piano factories in my state provide jobs in regions plagued by high unemployment," he said. Fred Fulford of the United Furniture Workers Union testified that Japanese piano imports had prompted the closure of numerous American piano makers, including Lowrey, Starck, Janssen, Lester, and Gulbrandsen, costing

hundreds of jobs.

The task of rebutting these arguments fell to John McLaren, the senior sales and marketing executive at Yamaha. Born in Manchester, England, he emigrated to the U.S. in the late '50s and took a job in New York City, selling pianos on the floor of Steinway Hall. In 1963 he moved to California to join Yamaha's fledgling U.S. distribution operation. Anticipating an American tariff action, he had spent several years carefully building a case for Yamaha and its Japanese competitors. By the time he took the stand, he had carefully honed his arguments.

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*Anticipating rising protectionist sentiment, McLaren had spent several years building a case for Yamaha pianos. **BY THE TIME HE TOOK THE STAND, he had carefully honed his arguments.***



McLaren argued forcefully that the success of Japanese pianos had little to do with low prices. "The piano market can be divided into three segments: grand pianos, studio pianos, and furniture consoles," he told the Commission. "Yamaha gained its footing in the U.S. market by addressing market segments that had been overlooked by U.S. piano makers: studio and grand pianos." To support his claim, he produced letters from Baldwin and Aeolian management apologizing to retailers for long-running back orders for grand pianos. Criticizing American piano quality he added, "Attention has been focused on furniture and less on musical qualities. Too many American manufacturers feel people buy what they see instead of what they hear. Piano technicians routinely tell us that American spinets are small boxes that are overpriced and untunable."

As to complaints that growth of Japanese imports had caused American manufacturers to close, McLaren explained, "U.S. declines have been due to a credit squeeze and higher interest rates, not the actions of Yamaha and Kawai." Revealing that Baldwin was considering opening a piano factory in

Korea at the time, McLaren deflected Thompson's claim that the U.S. piano manufacturers were primarily concerned with "U.S. employment."

In his closing arguments, McLaren said, "The size of the piano market is the sum total of the efforts of all manufacturers and retailers selling. Business does not roll in, it must be created." Then using a bit of theatrics to substantiate his argument, he turned to a broken down upright piano in the corner of the hearing room. "During the last five days, executives of every piano company have testified and none of them have proposed that the Tariff Commission needs a new piano. What does that say about their efforts to create the market?" After the laughter subsided the commissioners adjourned the session, but not before Commissioner Leonard said, "This has been the most informative hearing during my tenure."

A month later, the Commission handed down a mixed verdict. The duty on grand and studio pianos would be reduced according to the schedule, while there would be a 24-month delay in the reduction of tariffs on 42" and smaller imported uprights. In December of 1969, President Richard Nixon signed the findings into law.

In the years immediately following the tariff decision of 1969, rising wages and an appreciating Yen largely erased what cost advantages the Japanese had enjoyed over their U.S. counterparts. Furthermore, shifting product preferences and shrinking global piano demand adversely affected manufacturers around the world. The global landscape, with the much reduced piano market and production centers in China and Indonesia, bears little resemblance to the conditions debated in Washington in 1969. However, looking back on the hearings, McLaren thinks they still have relevance today. "American piano manufacturers tried to make the case that Yamaha and Kawai were succeeding by unfair methods, when in fact it all came down to product value in the marketplace. The fact that we were successful in making our case to the Tariff Commission made other manufacturers in the industry less inclined to turn to the government for relief, and work instead on addressing the needs of buyers. All in all I'm still convinced it was a victory for retailers and consumers."

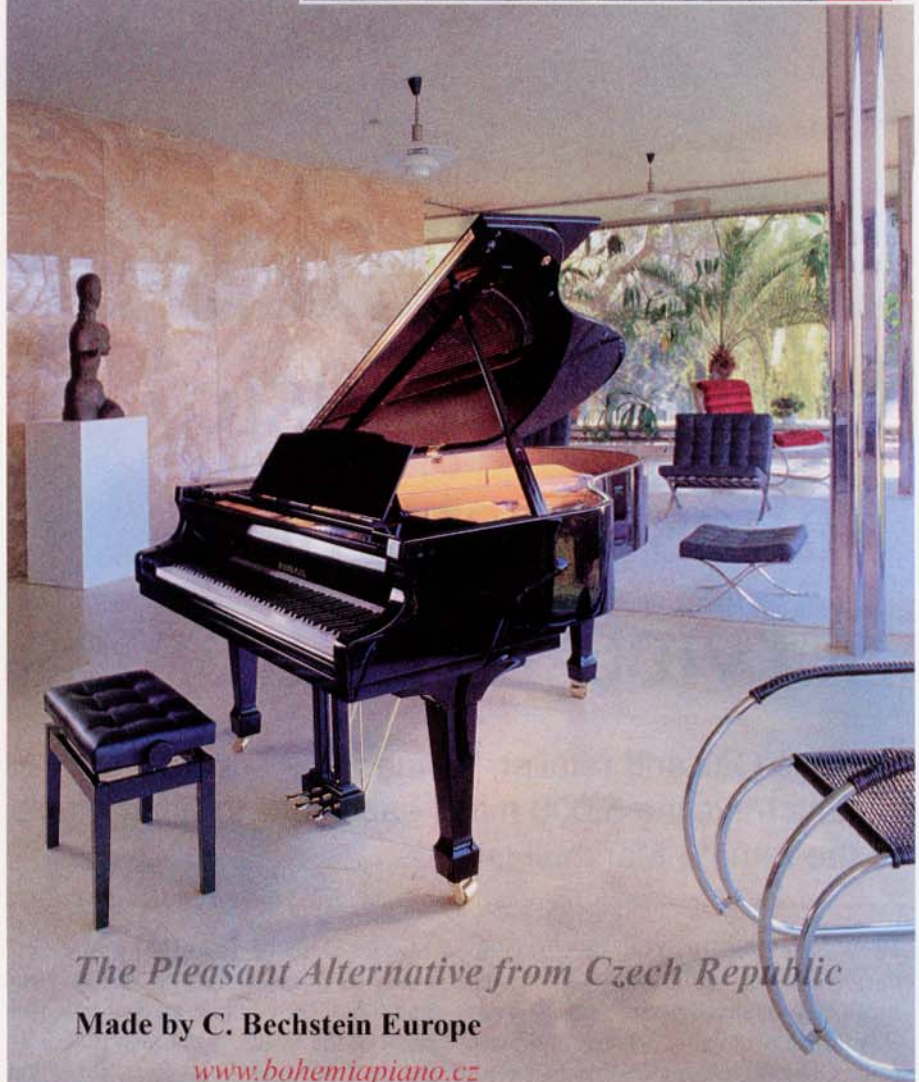
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