

Mr. TAFT. Mr. Chairman and members of the committee, Mr. Brody and I appeared here, I believe it was in 1965, at that time in support of the travel legislation which was then before this distinguished committee.

We submitted a proposal at that time that we sincerely believed would implement and complement the legislation then being considered.

We are here today, Mr. Chairman, to urge the same, if not a substantially similar proposal, and would be very grateful for the kind consideration of this committee.

Mr. LANDRUM. Are there any questions?

Mr. SCHNEEBELI. Mr. Brody, the merchandise you would sell to returning tourists from your bonded warehouse, would it all be American merchandise?

Mr. BRODY. It could be either. That is why I say in my statement, if it was manufactured here the entire dollar would be kept here, such as gin, domestic whisky, bourbon, and so forth; also cigarettes that are manufactured here. They also could buy scotch with two-thirds of the dollar being retained here.

Mr. SCHNEEBELI. I am thinking not of whisky or cigarettes, I am thinking of art objects or clothing, and so forth. I think one of the reasons people buy things abroad is because it has a foreign label and it indicates they have traveled abroad.

I don't think you can accomplish through your bonded warehouse, by the sale of American merchandise, exactly what the people have in mind when they are thinking of bringing back presents for friends or relatives.

What they have in mind is to return to their friends a handkerchief bought in Paris with a Parisian label on it.

If you sell the same merchandise with a Parisian label we have not gotten further on our balance-of-payments problem.

I think we would get much further ahead by reducing the \$100 to \$10 rather than buying the foreign merchandise from your warehouse.

Mr. BRODY. Let us assume they do buy the handkerchief abroad at a retail level. Assuming they pay a dollar for the handkerchief, it is obvious the importer or wholesaler could bring the same handkerchief into the United States for 33 cents. Therefore, only 33 cents of the dollar would be expended abroad. Whereas, if the individual purchased it he would spend the entire dollar.

Mr. SCHNEEBELI. It still is not accomplishing the same purpose of reducing by 90 percent, which is what the administration hopes to do in cutting down the bringing in of foreign merchandise.

All you would be doing is substituting the purchase of this product from Paris to your place in New York City, and I don't think we are accomplishing the intent of the proposal.

You are just building yourself a big empire of wholesale merchandise while the administration is trying to reduce the gift area by 90 percent. I question that all merchandise could be bought at 67 percent off.

Mr. BRODY. I can illustrate it factually, sir.

If you take American cigarettes under the customs regulations, and this is issued by the Treasury Department, it says you can bring back all the cigarettes you care to up to your allowance.