Mr. Douglas' interest in furthering U. S. exports has led him to participate actively in the National Export Council of the Secretary of Commerce and to act as Chairman of the Committee on Export Financing. It is this involvement which has driven home to him the importance of removing any barriers which might handicap our posture in international markets.

Accordingly, he heartily supports the administration's proposed Trade Expansion Act of 1968 and specifically H.R. 17768 introduced by Congressman King of California.

Sincerely,

JOHN R. ALLEN,
Vice President, Eastern Region.

Mr. BURKE. Are there any questions?

Thank you very much, Mr. Douglas. We appreciate your cooperation.

Mr. DOUGLAS. You are very welcome.

Mr. BURKE. Our next witness is Adm. William J. Marshall. Is Mr. Marshall in the room?

Without objection, we will leave the record open at this time for Mr. Marshall to submit a statement.

(Mr. Marshall's statement referred to follows:)

STATEMENT OF VICE ADM. WM. J. MARSHALL, U.S.N. (RETIRED), PRESIDENT, THE BOURBON INSTITUTE

T.E.A. AND BOURBON: RECIPE FOR RECIPROCITY

(Comments on the Proposed Trade Expansion Act of 1968 and the Extraordinary Growth of Foreign Distilled Spirits Sales in the United States)

It would be difficult to imagine a market anywhere in the world as potentially lucrative as the United States must appear to foreign businessmen. We can understand and appreciate the attitudes and objectives of foreign businessmen and their governments in bending all efforts to expand their U.S. sales. We can understand and appreciate the importance to them of their economic success here. We can understand and appreciate the need for our own country to maintain liberal trade policies in order that such policies may be reciprocated by foreign nations. But we are forced to question whether our nation is required to be so self-sacrificing as to jeopardize the welfare of its workers, its investors or its industrial capacity.

CONSUMERS DO NOT BENEFIT

From 1955 through 1967, sales of U.S. whiskey here at home gained 14.9%. During the same period, imported whiskey sales here gained 194%. During that period, even before the first tariff concessions were granted at the conclusion of the Kennedy Round, the import duty on Scotch whiskey was reduced from $1.50 per proof gallon to $1.02—a reduction of 32%. At the same time, the sale of Scotch whiskey here rose 222%.[1] Now it is repeatedly said that tariff reductions result in lower prices to the consumer. Indeed, this point has again been made in some of the official material publicized at these hearings. One may wonder, therefore, if the tariff reductions on Scotch whiskey resulted in lower consumer prices. The answer, unfortunately, is absolutely "No." The fact is that each time Scotch duties were reduced, and this occurred six times between 1955 and 1967, the average price of the leading Scotches was increased. In no case did the U.S. consumer derive any benefit from duty decreases. On January 1, 1968, the duty was again decreased under the Kennedy Round Agreement, and shortly thereafter Scotch f.o.b. prices were increased.

THE NATURE OF RECIPROCITY

Perhaps the failure to come to grips with the true problems of reciprocity has been due to the fact that the term is so difficult to define:

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[1] No wonder, with the tariff amounting to less than 20 cents on a bottle which retailed at over 6 dollars; and this tariff now to be reduced to 10 cents under the Kennedy Round agreement.