payments. It would be a form of subsidized export—the export of tourism.

Senator PROXMIRE. How about (vii)? That is a big item in the Senate today.

Mr. BLOUGH. Well, I would not care to comment on what is basically a matter of military policy. It is outside of my competence. From the economic point of view, of course, the benefits would be substantial, since military expenditures are the nub of the balance-of-payments problem.

Senator JAVITS. Would the Senator yield at that point?

You say from the economic point of view it is the nub of the problem, but it doesn't involve any more money than the imbalance in tourist expenditure.

Mr. BLOUGH. Well, there is, of course, no one nub of the balance-of-payments problem. I misspoke.

Senator JAVITS. In other words, it is a couple of billion dollars a year either way; isn't that true?

Mr. BLOUGH. That is right, and neither of these necessarily gives rise to any substantial offsetting action. Virtually all other payments abroad give rise to some offsetting movement of real resources, for example, capital investment abroad, and foreign aid. But military expenditures and tourist travel are two things that do not give rise to some offsetting benefits.

Senator PROXMIRE. I want to make sure that this is your conclusion. Let me be explicit. If we should withdraw 4 divisions from Europe, bring back about 700,000 people, the effect would be a couple of billion dollars?

Mr. BLOUGH. I do not recall the figures.

Senator JAVITS. I think that is true, Senator. It is $3 billion in toto, and if you pulled back roughly two-thirds, it would be a couple of billion dollars.

Senator PROXMIRE. Mr. Despres shook his head. Do you have another estimate?

Mr. DESPRES. I don't have a good figure, so I shouldn't have shaken my head. It sounded a little high to me because I think that, as a contra-item, the arrangements with the Germans under which they make their purchases from the Defense Department would be altered, and so on.

Senator PROXMIRE. I don't want to get into that detail, but I think there is an argument against it, too.

Mr. BLOUGH. A recent figure which I saw was $2 billion plus $500 million for Vietnam, but that is not my figure. But as I say, this is a policy problem.

Senator PROXMIRE. I understand.

Mr. BLOUGH. As far as reducing U.S. commodity imports by reducing tariff or quota barriers, (viii) I think the time is going to come when we will have to consider not only in the United States, but in other countries the use of across-the-board tariff changes as a method of international adjustment, such as the British used. We are not now in a position to do this. In the international agreements which we have under the GATT, there is no foundation laid for this sort of thing.

We are limited by the fact that we have an export surplus. For us to use tariff and quota barriers would bring about, under the