

Ongoing balance-of-payments benefits of \$250-500 million per year may be realized, depending on the mix of policies chosen for this full program.

CONCLUSION

Despite the problems in getting the full program (II above) through, it is strongly recommended. It both substantially benefits our payments position, and results in more rational use of our economic resources.

BACKGROUND

Japanese purchases of the cream of the Pacific Northwest annual log harvest have risen from under 0.1 billion board feet (log scale) in 1960 to 1.0 billion in 1966 to an estimated 1.7 billion in 1967. The Japanese purchases now constitute in excess of 15 percent of the harvest in the Pacific Northwest; the impact of their purchases is much higher west of the Cascades, where the bulk of industry complaints originate. The cost of logs to our mills in the Pacific Northwest has risen sharply--from \$49 in 1960 to \$69 in 1966, per thousand board feet of hemlock--a 41 percent increase; see Table 1.

The rise in raw material costs hits the U.S. Pulp/Paper, Plywood, and Saw Mills partially or entirely dependent upon public timber--in excess of 90 percent of the number of operating mills--particularly hard. Prices for their manufactured products have not kept pace with their log costs. On the product side, sawmills face competition in U.S. markets from Canadian sawn lumber, and the plywood plants face competition from new U. S. southern pine plywood mills.

- Canada effectively limits log exports; Canadian logs have not jumped in price, and Canadian sawmills across the border in British Columbia have obtained a net competitive advantage.
- Southern pine logs are not wanted by Japanese importers.