If negotiations on the log problem remain in an impasse, export quotas on log exports to Japan may be imposed. We will be in the position of

-- cutting exports to Japan, and at the same time,

-- requesting balance of payments accommodation from the Japanese.

The above problems possibly can be resolved with ongoing benefits to the U.S. balance of payments in the range of $250-500 million per year, depending on the particular mix of policies used.

The key--and solvable--element is the unnecessary shortage of top-quality U. S. logs available to domestic mills. This shortage contributes greatly to our imports of lumber from Canada--now running at about $400 million per year--and underlies the strongly hostile reactions of the Pacific Northwest sawmill industry to the increasing pace of U. S. log exports to Japan.

The available supply of U. S. logs directly depends on the land-management policies of the U. S. Forest Service (Agriculture), and the Bureaus of Land Management and Indian Affairs (Interior). Together these Agencies administer roughly 71 percent of the timber inventory available in the Pacific Northwest and Alaska. (See Table 2)

The explicit management goals of these agencies are the maintenance of a relatively steady crop of harvestable good quality timber, into the distant future. The so-called "allowable cut" is the estimated annual "crop" which can be obtained without endangering the even flow in future years.

Timber is a crop. The amount of the harvest does depend, as the Forest Service has noted in public documents, on the level of forest management and on the harvesting techniques.