

The European countries are concerned regarding the potential impact of Japan in the softwood log and lumber market. While Japan already is recognized as an important consumer of both softwood logs and lumber, the European countries are convinced that Japan would be an even more important consumer in the future. It generally was recognized that Japan will make every effort to buy logs first and lumber second. Although Japan demands specifications different than those normally supplied in the Canadian, U.S. and European markets, no difficulty was foreseen relative to meeting such specifications. Canada's softwood lumber exports to Japan for the first six months of 1967 were 72 percent above those in the corresponding period of 1966. Although Canada anticipates that its 1968 softwood lumber exports to Japan will be comparable to those in 1967, Canada was confident that this increase to Japan would not adversely affect its ability to supply the European market.

Well, there we have it—Japan's needs, U.S. needs and, an item hitherto overlooked, the continuing need of Europe to draw on the North American softwood resource. Is the longrun situation hopeless? Surely if our lumber price structure is already strained with the export of about 1.7 billion board feet of wood to Japan, how can our own domestic needs be met if, as responsibly forecast, that increase another 5.3 billion feet annually just for housing at the very same time that the Japanese demand takes off to new lofty levels?

II. FOREIGN POLICY CONTEXT

The record already contains data on the scope of our two-way trading with Japan and with Canada, and on Japan as a principal supplier of capital to and buyer of materials from Alaska. We have observed that Europe derives a significant volume of its wood from Canada and that Canada does not mean to withdraw its service to that market. The extent to which the United States can be of substantial help in meeting Japan's needs is, if optimistically stated, doubtful.

This leaves for consideration the vast softwood timber stands of the Soviet Union in eastern Siberia. Question has been raised as to whether Japan ought politically to depend in any real way upon a supply of wood from the U.S.S.R. Others have suggested that it would be prudent to open more bridgeheads of trade between the U.S.S.R. and the non-Communist countries. Unless we have other options, this issue is idle and academic. There simply is no choice.

As the record already shows, the United States is heavily engaged in exporting raw logs to Japan and replacing the material so exported with finished lumber imports from Canada. To some this would seem to be a rather remarkable exercise for a nation that purports to be deeply concerned with, that believes itself threatened by the problem of balance of payments. Perhaps, as we shall discuss later in this paper, we can be of some help to Japan. But, if we are rational, we cannot come close to satisfying the looming demands of Japan. Of course, if we decide that we want to be irrational, we can continue our exports to Japan at present levels and even permit the sought after geometric increase if we simultaneously decide to replace the lost material with imports from Siberia. This is a possibility that for the present I think we can all agree to dismiss.

The fact of life is that Japan is going to have to turn to the Siberian wood bank. To the Japanese, this is not news. The logs may not be of quite the quality that we know in Oregon and Washington. Because of the monopolistic character of the seller of Siberian wood, the Japanese will not be able to set the market as they do in Alaska, Oregon, and