

ally improved? For example, if we were to reduce log exports to a degree and, as a concomitant result, the shipment of finished lumber to Japan were to increase, we would find ourselves with an improved balance-of-trade factor, I assume. Is this not so?

Mr. PETTY. Yes, sir.

Representative DELLENBACK. Or if the result of our limiting log exports brought forth a situation where Japan then bought more finished lumber not from the United States but from Canada, and this ended up with a reduction in Canadian exports of finished lumber into the United States, this also could react favorably to the U.S. benefit so far as balance of trade is concerned.

Mr. PETTY. I am going to sign you up as a balance-of-payments economist. This is quite a correct approach.

Representative DELLENBACK. I appreciate your comment, but is this not also so, since we are building a record on this point?

Mr. PETTY. Yes, sir.

Representative DELLENBACK. I stress this point because of the point I made a minute ago, that sometimes those who talk in terms of balance of trade, and I do not mean only Treasury people in this regard, but when we talk in terms of restrictions on log exports, they immediately say, you do not even dare think about that because in this uneven balance-of-trade situation in which the United States finds itself, you do not do anything to restrict exports. The question I am making to you is that it is your judgment as an expert, and in this field you are far more expert than I, that you can't just settle for that simple a summary of the problem. You have to look to see what accompanies the reduction or limitation of log exports. Am I correct?

Mr. PETTY. Yes, sir. With the log industry and trade policy we ought to have the whole picture, for example the issue of retaliation, the issue of alternative sources of supply, try to do a little work on what the balance-of-payments impact could be with a few hundred million board feet export limitations. There could be a difference of opinion on numbers varying with different sets of assumptions. In 1968, because of the long leadtime on contracts, you cannot argue that an export limitation would have any discernible effect in calendar 1968. What would happen in 1969 and 1970 depends upon the foreign reaction, including whether there would be additional lumber exports. Would they shift to Canada?

Would that permit us to reduce imports?

This involves many judgments and the experts of Agriculture and Interior would help very much in creating the assumptions involved in the balance-of-payments projections. This is again why the inter-agency dialog is so useful.

Representative DELLENBACK. I do not mean to move into either the field of expertise of our foresters nor do I in this question mean to move over into the field of expertise of our State Department. But within your field of expertise, are you able to make any comment along the line of alternative sources of supply for Japan in the event that we were to place restrictions on exports from the United States?

Mr. PETTY. No, sir; I do not think I am qualified on the question as posed and I do not think I could give you any useful answer.

Representative DELLENBACK. From the standpoint of strictly balance of trade and the financial negotiations that go into making this