

rather not deal with the United States anyway and if you once close out this line, they would prefer to go somewhere else.

Through my other question to you, you have said that is not a controlling factor as I read you; it is but one of the factors that enter the picture. Am I correct?

Mr. PETTY. One always wonders about what weight it is that tips the scale. Is it the first pound or the last pound? It is all part of the weight.

Representative DELLENBACK. But again we must look to the foresters for primary expertise in the field of forestry practices, and so on. If we cannot look to you on this from the money standpoint, the balance-of-trade standpoint, for the best knowledge available to us, then I do not know where is the best place to look. How important is this balance-of-trade factor between the United States and Japan, between Canada and Japan, between Russia and Japan, as a factor that we ought to consider as we wrestle with the concept of log exports that you have?

Mr. PETTY. I mentioned to Senator Hatfield that at this moment there are bilateral discussions going on between Japan and the United States in the balance-of-payments area. This concerns the whole range of items that go into bilateral balance-of-payments accounting. Certainly one element that the U.S. position considers is to increase our exports to Japan. We have had a mission over there having to do with the field of automotive trade, again to make the Japanese market more hospitable to the U.S. automobile so we can increase our exports. Again, I want to defer to Mr. Greenwald who, as Deputy Assistant Secretary of State for Trade Policy, works very closely with us in this area.

But I say this is significant. I mention this meeting because we are very much aware of the military costs that we incur, to Japan's benefit, because of our military posture in the Far East and in seeking ways to minimize that impact, one of the areas under consideration would be the trade account. Then we move down the trade account and talk about elements in the trade accounts, of which logs is one.

Representative DELLENBACK. But again—and I close with this—back to the point of whether it would have a favorable or unfavorable balance, it does not follow axiomatically that if we reduce log exports or limit log exports, that just within this field of wood products, this will mean a shift away from a favorable balance with Japan. It could well be, as we talked earlier, that this could lead to an increase in our favorable balance of trade in this particular area.

Mr. PETTY. Under one group of assumptions and over the short term; yes, sir.

Representative DELLENBACK. Just short term?

Mr. PETTY. On the long term, I raise the question of—it gets back to your question about the source considerations that foreign buyers would have. Given the level today, what is it going to be 12 months from now or 18 months from now?

Representative DELLENBACK. The factor here is one of stability?

Mr. PETTY. Absolutely.

Representative DELLENBACK. We could reduce, if we made alternative finished products available, and they could rely upon this and the stability of this area, even in the long term, it could prove to be beneficial?