

In the application of this policy to particular situations, the Department endeavors to establish, before the adoption of a short-supply control, that there actually is a domestic short supply, and that it is caused by abnormal foreign demand, with resulting inflationary pressures.

Thus, in effect there are three basic criteria, all of which must be met before the adoption of a short-supply control.

The first of these involves an analysis of the national supply-requirements pictures. To meet this criterion this analysis should clearly demonstrate that in the absence of export controls there will be a shortfall in supply which will make it impossible to meet essential domestic requirements. The second criterion involves an analysis of past and expected future exports. To meet this criterion there should be a definite demonstration that current and expected future foreign demand is in fact abnormally high.

Finally, to meet the third criterion, an analysis of price indicators for the commodity should clearly show inflationary tendencies.

In determining whether a short-supply program should be invoked in a particular situation, it is the Department's policy to seek information and advice from other interested Government agencies concerned with aspects of our domestic and foreign policies and operations having an important bearing on exports. If, after obtaining such advice, we conclude that the above three criteria may be satisfied, it is the policy of the Department to hold industry consultations to gather additional information on the problem and, where appropriate, obtain advice on the ways and means of establishing a fair and impartial control.

The Department of Commerce has on several occasions in the past considered the adoption of a short supply export control program for softwood logs. On each of those occasions, the Department decided that the criteria which I mentioned previously were not met. Whether in the light of present circumstances, with the substantial increase in log exports to Japan in 1967 and anticipated further increases, these criteria would now be met has not yet been determined. I can assure you that this is a matter which we have under close review.

Again, Mr. Chairman, I would like to thank you for the invitation to appear before your committee. We are prepared to provide you and your committee with all the assistance at our disposal.

Senator MORSE. Thank you very much, Mr. Secretary.

Senator Hatfield?

Senator HATFIELD. Thank you, Mr. Chairman.

Mr. Nehmer, actually, I have one basic question which has probably many parts and they depend somewhat on the way you answer the first number of questions. I am most intrigued by your statement here today, because you have throughout the statement indicated a knowledge of a certain problem relating to forest industry in the Pacific Northwest. I need not review all of your comments. You say on the first page that domestic mills foresee dangers to their existence because of the shipping of logs to Japan and you say further, particularly on pages 4, 5, and 6, that you have considered, after you outlined to us the three parts of this Control Act, you indicated here that you have given consideration to the domestic short supply part of that act as it might relate to the lumber industry.