

made by a Vice President of the overseas division of a very large bank, who said:

"If Government-financed exports are left out of account, the commercial trade balance this year may show a deficit of \$1.5 to \$2.5 billion, compared with a small commercial surplus last year of \$250 million."

Since our export statistics when stripped of government financed shipments will show an unfavorable balance of trade it reduces considerably the argument of those who claim that duties must be reduced at any cost in order to be able to export. We now have an unfavorable balance of trade and practically free trade. Perhaps it is time to take a hard look at the entire picture of world trade with a view to domestic industries sharing in it.

EXHIBIT I

[From the Wall Street Journal, Monday, June 3, 1968]

COMMODITIES—SOFTWOOD LOGS' HIGH COST SEEN CONTINUING AS FEDERAL ORDER FAILS TO CURB EXPORTS

(By W. Stewart Pinkerton Jr.)

PORTLAND, OREG.—Despite recent Federal moves to limit exports of softwood logs to Japan, domestic mills report they've seen little decline in the high cost of raw timber or any increase in its availability.

Ironically, in some Pacific Northwest areas, the Federal action apparently has spurred higher prices and tightened an already critical supply situation for many smaller independent operators.

At first glance, the Agriculture and Interior Departments' April order allowing the export of only 350 million board feet of logs a year from Federal forests in the coastal area would seem to solve many of the woodmen's woes. Lumbermen have long complained that soaring exports have bid up the price of raw timber, making its cost almost prohibitive to the independent mills that cut lumber in competition with companies growing their own raw material.

Now, after a closer assessment of the specific provisions, many lumber officials wonder whether the situation will be improved much at all.

For one thing, the restriction applies only to log sales made after April 22, 1968. Prior contracts cover cutting operations that will go for as much as 18 months. This means "there isn't likely to be any great slowdown in exports before 1970," says Wendell Barnes, executive vice president of the Western Wood Products Association, a trade group.

Lumbermen note 1968 already is shaping up as another record-shattering year for log exports. First quarter shipments are running about 36% ahead of the year-earlier rate. If the pace keeps up, the full-year total is expected to reach 2.3 billion board feet, up from about 1.7 billion last year.

ORDER'S OMISSIONS ARE NOTED

Some more vocal critics say the order is most significant for what it omits. It provides no protection, for instance, for private or state-owned lands or for Federal timber in Northern California or in the so-called inland pine region east of the Cascades. The inland area has been relatively free from export problems, but millmen fear pressure will quietly build for the Japanese to enter there too.

There's considerable evidence they've already begun. At least two Portland exporting concerns have obtained railroad tariff schedules for freight rates from inland areas to the coasts. And W. T. Richards, general manager of Atlas Tie Co., Coeur d'Alene, Idaho, says he saw a new face among bidders at a recent public timber sale: It belonged to a representative for an export company. "This is the first indication we've seen of their coming in," says Mr. Richards. "They didn't need to come over here before, but now they do."

Prices of state-owned timber in Washington already have come under heavy upward pressure, apparently as a result of the Federal curb. The American Plywood Association, for instance, says some 117 million board feet of state logs sold in April went on the block at about 100% above appraised value. This compares with sales that were running about 78% above appraised value before the Federal restriction was approved, the association says.