

## SOFTWOOD LOG AND LUMBER EXPORT RESTRICTIONS

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Mr. PACKWOOD, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

## REPORT

together with

## ADDITIONAL VIEWS

[To accompany S. 1033]

The Committee on Banking, Housing, and Urban Affairs, to which was referred the bill S. 1033 to amend the Export Administration Act of 1969 (50 App. U.S.C. 2401-2413) as amended, to control the export of timber from the United States, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

## History of the Legislation

S. 1033 was introduced on February 28, 1973. Hearings were conducted by the Subcommittee on Housing and Urban Affairs on March 26 and 27, 1973, in Washington, D.C. Later hearings were conducted by the Subcommittee on International Finance on April 11, 1973, in Portland, Oregon, and on April 13, 1973, in San Francisco, California. During the course of these four days of hearings testimony was received from more than 100 witnesses.

Subsequent to the conduct of these hearings, several bills were introduced which dealt at least in part with the question of export of softwood logs and lumber: S. 1507 introduced on April 10, 1973; S. 1775, introduced on May 10, 1973; and S. 1820, introduced on May 15, 1973.

On May 16, 1973, the Committee met in open markup session and voted 13 to 2 to report S. 1033 with an amendment that was adopted by the Committee on an earlier vote of 7 to 5.

## Explanation of the Bill

S. 1033 divides into two parts. Section 1 of the bill redesignates the existing Export Administration Act of 1969 as title I of the Export Administration Act under the heading of "General Provisions". Section 2 of the bill establishes a new title II under the Export Administration Act under the heading of "Timber Export Controls".

Section 201 of title II designates the title: the Timber Export Administration Act of 1973.

Section 202 (a) of the Timber Export Administration Act of 1973 provides that beginning July 1, 1973, no unprocessed timber of species and grades generally used for domestic manufacture of construction lumber and plywood harvested from Federal lands west of the 100th meridian shall be exported from the United States.

Section 202 (b) exempts from the export restriction contained in subsection (a) any exportable timber harvested pursuant to Federal timber sales contract, entered into prior to May 10, 1973.

Section 202 (c) provides that the Secretaries of Agriculture and Interior may permit the export of timber from Federal lands provided that such timber: (1) is of a particular grade, quantity, or species that is, after public hearing, found to be surplus to the needs of domestic users and processors; (2) is harvested pursuant to a Federal timber sales contract having a total value of less than \$2,000; or (3) does not meet the utilization specifications of the Federal timber sales contract under the provisions of which the timber is harvested.

Section 202 (d) provides that any timber proposed to be exported from the Federal lands under the provisions of subsections (b) or (c) of Section 202 shall first meet the qualifications outlined for exports under Section 203.

Section 202 (e) provides that the Secretaries of Agriculture and Interior shall promulgate rules and regulations in order to carry out the purposes of Section 202. In particular, the Secretaries shall issue rules to prevent the substitution of timber restricted from export by this section for exported timber harvested on non-Federal lands, other than lands administered by any State of the Bureau of Indian Affairs, unless such timber from non-Federal lands is of a grade or species that has been designated surplus under subsection (c).

The objective of regulations directed at preventing the substitution of Federal timber for exported non-Federal timber is to preclude persons engaged in exporting logs, either directly or indirectly from bidding on or purchasing Federal timber to replace private timber they have exported.

The regulations should be written to ensure that domestic users and processors who are dependent on Federal timber for a substantial portion of their timber supply shall not be placed at a competitive disadvantage to exporters of non-Federal timber in bidding on and purchasing Federal timber.

Substitution is the purchasing of Federal timber for use in the exporter's mill at the same time the exporter is selling private timber for export from within a region that is within an economic transportation distance from the subject mill. The Committee cautions the

Secretaries of Agriculture and Interior not to accept as *prima facie* evidence of substitution the cases where one who exports private timber is also purchasing Federal timber. Rather, the Committee has in mind a specific problem regarding the incidence of substitution.

After consideration of the complexities inherent in resolving the question of what constitutes substitution, the Committee feels that the Secretaries of Agriculture and Interior will be well advised to establish a procedure for determining, on an *ad hoc*, case-by-case basis, whether the actions of an exporter of private timber constitute substitution as described above.

The substitution regulations promulgated by the respective Secretaries shall not apply to logs exported from lands administered by any State or the Bureau of Indian Affairs.

Other than the establishment of regulations to prevent substitution, the respective Secretaries are urged and expected to make every effort to retain the regulations applicable to existing timber export restriction laws [16 U.S.C. 616-617] insofar as such retention is possible and practicable.

Section 202(f) provides for the repeal of section 617 of title 16, United States Code, limiting the export of unprocessed timber from Federal lands to no more than 350 million board feet annually which expires on December 31, 1973. Existing law will be superceded by section 202 of the proposed Timber Export Administration Act of 1973.

Section 203(a) places a ceiling on exports of softwood logs and lumber from the United States for the fiscal years 1974, 1975, and 1976, in the amount of 2.25 billion board feet (scribner scale) of softwood logs and 1.2 billion board feet (lumber scale) of softwood lumber and plywood during any one fiscal year.

Section 203(b) provides a procedure whereby the Secretary of Commerce may increase or remove the limitation provided in subsection (a) during either of the fiscal years 1975 and 1976. Such procedure is as follows:

- (1) no later than February 1st of the preceding fiscal year, the Secretary of Commerce must publish a notice in the Federal Register of his intent to increase or remove the export limitation for the next fiscal year; (2) no later than March 1st, after consultation with the Secretaries of Agriculture and Housing and Urban Development, the Secretary of Commerce must certify that there will be sufficient volumes of softwood logs, lumber and plywood during the next fiscal year to assure an adequate supply at reasonable price levels for domestic use; and (3) if neither House of the Congress passes a resolution of disapproval within 90 days, the proposed increase in, or removal of, the export limitations for the subject fiscal year are placed into effect.

In approving the language of Section 203(b), providing for an increase in or the removal of the export limitations, the Committee recognizes that the Secretary of Commerce presently has the authority under the provisions of the Export Administration Act of 1969 (50 App. U.S.C. 2402(2)(A)) to set export ceilings for softwood logs and lumber. That act which authorizes the Secretary to place restric-

tions on exports does not require that any such restrictions be submitted to the Congress for review. Thus, if the Secretary proposes to raise or remove the ceilings set in S. 1033, his action is subject to Congressional disapproval, but if he proposes to reduce the ceilings below the levels set in S. 1033, his action is not subject to Congressional approval.

In determining whether there will be adequate supplies of softwood logs, lumber and plywood for domestic use during the succeeding fiscal year, the Secretary shall not consider any imports of softwood logs and lumber anticipated to be in excess of that volume actually imported during the immediately preceding calendar year.

The Committee intends that the Secretary of Commerce shall follow the procedures outlined in section 203(b) for any year in which he proposes to increase or remove the export limitations. If the limitations are increased or removed for fiscal year 1975, such action shall not apply to fiscal year 1976. The Secretary of Commerce is required to repeat the procedures prescribed in section 203(b) to increase or remove the export ceiling in fiscal year 1976. If no action is taken by the Secretary of Commerce, or if either House of the Congress should act to disapprove the proposed modification, the limitations provided for in section 203(a) will remain in effect.

Section 203(c) authorizes the Secretary of Commerce to exempt from the limitations contained in section (a) specific grades or species of softwood timber if he certifies that such an exemption will not cause a substantial distortion of the domestic market price or supply of such grades or species, provided that he publishes notice of his intention to make such a certification in the Federal Register at least 30 days prior to such certification and requests comments from the public with respect to his intentions.

Section 203(d) authorizes the Secretary of Commerce to issue such rules and regulations as are necessary to assure the equitable allocation of export authority within the limits set forth in section 203(a). In determining an equitable allocation, the Secretary shall take into consideration all appropriate factors, including historical volumes of export activity on the part of any exporter and the customs district in which this export activity has taken place in the past. The Committee feels that it is particularly important that the Secretary not act in a manner to disrupt the existing geographical distribution of export activity. As nearly as possible, the Secretary shall allocate future export activity among the various customs districts according to the existing proportional distribution of export activity.

Furthermore, the Committee intends that the equitable allocation of export authority as provided for in Section 203(d) should provide a reasonable opportunity for new exporting firms to enter the market, as well as to assure an equitable distribution of allowable export activity among those firms with a history of softwood log and lumber export activity.

Section 204 provides for penalties to be levied in the event of any violations of the provisions of the Timber Export Administration Act of 1973. Upon conviction for any willful violation of the Timber Export Administration Act of 1973, a fine of not more than \$5,000 or a prison term of not more than 5 years, or both, shall be imposed.

### Purpose of the Legislation

This legislation is intended to increase the domestic supply of softwood lumber and thereby exert downward pressure on lumber prices at the wholesale and retail levels in order to help this nation meet its housing goal of 26 million units of new and rehabilitated housing during the decade ending in 1978.

The issue of supply and price of softwood logs and lumber has been before the Committee since 1969. That year the Subcommittee on Housing and Urban Affairs conducted extensive hearings on the issue. The Subcommittee received testimony that identified log and lumber exports as one important factor contributing to escalating lumber prices and serious lumber shortages.

The conditions prevailing today are substantially identical to those in 1969 and stem from the same root cause; demand for lumber far outstrips supply. In March and April 1973, two Subcommittees of the Senate Banking Committee investigated runaway lumber prices and, as in 1969, log and lumber exports were cited by witnesses as one of the significant reasons for the disparity between supply and demand.

During the last decade, the volume of softwood log exports has increased sharply. Softwood lumber exports also have risen during the decade. The following table outlines the softwood log and lumber export activity over the last decade:

SOFTWOOD EXPORTS, 1963-72

(Million board feet)

	Logs (scribner scale)	Lumber (lumber scale)
1963	879.6	743.1
1964	1,022.6	811.5
1965	1,111.4	778.9
1966	1,317.5	867.9
1967	1,873.6	965.2
1968	2,473.2	1,048.1
1969	2,316.8	1,023.8
1970	2,684.1	1,161.1
1971	2,233.4	936.2
1972	3,049.4	1,190.8

Source: U.S. Department of Commerce.

In 1968, the Congress approved an amendment to the Foreign Assistance Authorization legislation providing for a limitation on the export of Federal timber. The law (16 U.S.C. 617) provides that no more than 350 million board feet of unprocessed timber may be sold for export from Federal lands west of the 100th meridian. The law also authorizes the Secretaries of Agriculture and Interior to promulgate regulations to prevent substitution of Federal timber "restricted from export . . . for exported non-Federal timber." Finally, the Amendment gives to the Secretaries of Agriculture and Interior the authority to declare certain quantities and species of logs to be surplus to domestic needs and, thereby, exempt from the 350-million-board-foot limitation.

About 280 million board feet of Federal timber was actually exported last year—less than ten percent of the total export volume of

3.05 billion board feet. The Committee concluded that in order to help meet the nation's housing goals, existing law must be amended to prohibit the export of all but surplus logs from Federal lands. Since less than ten percent of the export market for logs is comprised of Federal timber, the Committee believes that action must be taken to restrain the export of softwood logs harvested from non-Federal lands.

In addition to the limitation on the export of logs, the bill also places a limitation on the export of softwood lumber and plywood. In each of the next three fiscal years the lumber export ceiling is set at the record high volume which was exported in 1972—1.2 billion board feet. A ceiling on lumber exports is necessary, because in the absence of such a ceiling, foreign log purchasers could defeat the purpose of the Act by increasing their U.S. lumber purchases.

If this measure becomes law, the Committee expects that logs prohibited from export will find their way into the domestic market, thereby easing the Nation's lumber shortage. Evidence submitted to the Committee demonstrated that adequate sawmill capacity exists to process the logs made available as a result of this legislation.

During the hearings, a number of Administration and public witnesses expressed concern about the adverse effect which log export restrictions could have on our balance of trade. Other witnesses argued that log export restrictions would improve our balance of trade. The Committee recognizes the importance of preventing trade deficits. The United States in 1972 imported 9.0 billion board feet of lumber from Canada, in 1972, the United States exported 3 billion board feet of logs overseas. The Committee concluded that the objective of this bill can be realized without adversely affecting our balance of trade. We expect that the logs and lumber which are not exported because of the restrictions in this bill will find their way to domestic users, thereby permitting a reduction in the need to import lumber from Canada.

The Committee emphasizes that this legislation should not be interpreted as a precedent for special export control legislation. Existing law—the Export Administration Act of 1969—grants the Administration authority to restrict exports “to the extent necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the serious inflationary impact of abnormal foreign demand.” [50 App. U.S.C. 2402(2) (A)] In the immediate instance of softwood logs and lumber, the Administration has not acted in a manner consistent with Congressional intent in enforcing this law.

On May 14, 1973, the Administration announced that the Japanese Government was willing voluntarily to restrain its demand for softwood logs in fiscal year 1974 to 2.3 billion board feet—8 percent below the volume Japan imported in calendar year 1972. This, at best, is only a temporary agreement limited only to logs which cannot be depended upon to protect a vital natural resource in short supply.

S. 1033 was adopted by the Committee because the nation's shortages of softwood logs and lumber have not been corrected under existing law, nor does the Committee believe these shortages can be corrected through a temporary agreement with Japan. However, the Committee is aware that forecasts of future demand are difficult to formulate with accuracy. Equally difficult to forecast are the results of proposals to increase the domestic supply of lumber from non-Federal and Federal

lands. For this reason, S. 1033 imposes export ceilings for the next three fiscal years only, and, in addition, provides a procedure for the modifications of these ceilings during the fiscal years 1975 and 1976.

The Committee strongly urges the Senate to act favorably and promptly in its consideration of this legislation. Four years ago the crisis passed and no action was taken by either the Congress or the Administration. The Congress must assert leadership and not allow the policy of benign neglect to preceipitate another crisis.

### **Cordon Rule**

In the opinion of the Committee, it is necessary to dispense with the requirements of subsection 4 of the rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.

## ADDITIONAL VIEWS OF MESSRS. TOWER AND BENNETT

The limitation on exports of softwood logs and lumber provided for in S. 1033, as amended by the Committee, is unnecessary and may in fact be counterproductive to the goal of stabilizing lumber prices and supply. It would have little or no effect on reducing lumber and plywood prices domestically, which is the intended purpose of the measure. Indeed, it could easily result in higher prices for domestic users of both domestic and imported lumber and plywood products. Furthermore, it is contrary to the principle of free international trade, a goal toward which the U.S. has been making great strides in recent years. Finally, it would discourage processors of lumber and plywood products from adding much-needed plant capacity by forcing them to rely solely on the variable homebuilding sector as their primary market.

The intended purpose of this legislation is to reduce the demand for softwood logs and lumber, thereby exerting downward pressure on their prices. Actually, the limitation on log and lumber exports will have little or no effect on lumber and plywood prices, which have skyrocketed because housing construction has increased so rapidly over the past three years. Housing starts have increased over 70 percent from what they were three years ago, rising from 1.4 million units in 1970 to 2.05 million in 1971 and to 2.38 million in 1972. The impact which housing construction has had on the increased demand for lumber is clearly evident in the volume of our lumber imports, which in 1972 were more than half again what they were in 1970. By way of contrast, the volume of log exports increased only 13 percent over that same period, and the volume of lumber exports remained unchanged. According to the Commerce Department, housing construction accounted for over 88 percent of the increased demand for softwood sawtimber between 1970 and 1972, whereas the export of softwood logs and lumber accounted for only about 6 percent of the increased demand. (The remainder was accounted for by miscellaneous uses.) Altogether, log exports comprised only about 5½ percent of the nation's harvest of softwood timber in 1972, a relatively modest portion of our domestic production.

In light of this, the prices of lumber and plywood prices can be expected to decline only if the demand for new housing moderates appreciably, or if timber supplies are increased accordingly. In this regard, it is interesting to note that lumber and plywood prices have already declined from the peaks which they had reached earlier this year, as a result of the slowdown which appears to be taking place in new housing starts. Prices can be expected to moderate ever further if the level of housing starts moderates even more during the year, as is expected. The decline which has taken place in lumber prices was described as follows in a *Wall Street Journal* article dated May 25, 1973:

After peaking at historic highs in late March, mill prices for framing lumber, which is used in residential construction, have leveled out. Since late April they have fallen by almost \$30 a thousand board feet. For example, the mill price for random length dry hem-firm 2×4s, standard and better, an index item traded on the lumber futures market, dropped to the \$173-\$175 range last week from a high of more than \$200 six weeks ago. Similarly, green Douglas fir 2×4s, fell to \$155 a thousand board feet from \$182.

Plywood, too, has softened. The mill price of half-inch exterior sheathing, another bellwether grade also traded on the futures market, dropped to 130 a thousand square feet last week after selling at close to \$180 at the end of March.

Boards, which had risen the most of all, have taken sizable drops. One grade of Ponderosa pine fell to \$225 a thousand board feet, \$50 below its high. "Many mills had switched over to studs and had quit making boards because of unrealistically low ceilings," explains one dealer. "A lot of production is switching back to boards now," he says, adding the price could come down another \$50 and still be in line.

To be sure, these price declines are only relative to the recent extraordinarily high level. They are still from 15% to 50% higher than year-ago prices. But industry sources tend to agree that the tone of the market has returned to some degree of normality.

At the same time, the Administration has taken some important measures recently to exert downward pressure on prices by increasing the supply of timber made available from federal lands. The Cost of Living Council and the Agriculture Department announced on May 29, 1973 the funding for a new program designed to assure sales of 11.8 billion board feet of timber from the national forests in calendar year 1973 and fiscal year 1974. This represents an increase in sales of 10 percent over the amount sold in the fiscal year ending this June 30, and is felt to be compatible with environmental protection concerns. The text of the Cost of Living Council's press release describing this new program is reproduced below:

Secretary of Agriculture, Earl L. Butz, and Director of the Cost of Living Council, John T. Dunlop, today jointly announced completion of a detailed plan to assure sales of 11.8 billion board feet from the National Forests during calendar year 1973 and the same amount during fiscal year 1974. The 11.8 billion board feet established as the fiscal year 1974 goal represents an increase of approximately 10 percent over the amount of timber which the Forest Service will offer for sale during fiscal year 1973, ending June 30. The new sales goals are well below the "allowable harvest" which may be offered by the Forest Service under sustained yield policy.

After consultation with the Office of Management and Budget, Secretary Butz has provided the Forest Service with personnel and financial resources required to meet the new goals. Effective immediately the Forest Service personnel ceiling is increased by 450 permanent positions for hiring of ad-

ditional foresters, engineers and support personnel which are required under the expanded sales program.

Secretary Butz has also directed the Forest Service to undertake various management and organizational changes which will enable more efficient use of its manpower and financial resources. The specific changes are being announced by the Forest Service.

The new sales goals and increase in Forest Service personnel are based on a report received from an interagency task force appointed, in conjunction with Cost of Living Council hearings on lumber prices, to formulate plans to increase sales of timber from National Forests . . .

The Task Force found that there has been a significant decrease in sales of national forest timber over the past three years. This was in part caused by a reduction of Forest Service personnel devoted to timber sales preparation at the same time the amount of sales preparation work to meet higher environmental standards was increasing. In order to reverse the trend of the past three years, the Task Force, working with the Forest Service, recommended the plans announced today.

Secretary Butz and Dr. Dunlop have requested the Task Force to study establishing higher sales goals for fiscal year 1975 and 1976 and report on this work by June 30, 1973. The Task Force will also review Forest Service sustained yield policies, timber production and their relationship to multiple use.

Other Administration actions taken to reduce lumber prices include recent negotiations with the Japanese government to reduce imports of logs from the U.S. An agreement has been reached whereby Japanese log purchasers from the U.S. will be reduced by eight percent in fiscal year 1974 from the levels of fiscal year 1972. This reduction reflects a decrease of approximately fifteen percent in U.S. log imports by the Japanese over the last half of calendar year 1973 compared to the same period last year.

The Department of Transportation, at the request of the Cost of Living Council, has also implemented several actions aimed at improving the utilization of scarce rail cars and their allocation between lumber and grain shipments.

In view of these recent developments—both the downward trend in lumber and plywood prices accompanying the moderation in new housing starts and the Administration's move to increase sales of timber from the national forests—the limitation on log and lumber exports provided in the amended version of S. 1033 would seem to be inappropriate and unnecessary.

In addition, the foreign trade implications of this bill are somewhat more complicated than they appear on the surface. An argument made in favor of the bill is that the current situation in which logs are exported and lumber is imported creates a net deficit in our balance of trade, which could be corrected by limiting the exportation of logs and lumber. The implication is that this would ultimately result in

lower prices on lumber for domestic users. However, the analysis ignores the impact which a limitation on log and lumber exports would have on the price of lumber which would still need to be imported. If a limitation on exports were imposed, those nations to which we are currently exporting softwood logs—primarily Japan—would turn to other markets—primarily Canada—for their source of timber. The resulting increased demand would bid up prices on Canadian timber. Since almost 30 percent of the lumber supply for housing in the U.S. is imported from Canada, this would only result in higher prices to domestic users on imported lumber. Depending on the degree to which the demand for Canadian timber intensified, the higher prices on imported lumber would tend to offset any beneficial effect which a smaller volume of exports could be expected to produce on our nation's balance of trade.

It is important to note that Japan has already undertaken a program to reduce its dependence on U.S. timber supplies. Director Dunlop of the Cost of Living Council has pointed out that Japan intends to reduce its imports of softwood logs from the U.S. by more than 8 percent this year. A copy of a letter, dated May 15, 1973, which deals with this issue, is reproduced in full below:

ECONOMIC STABILIZATION PROGRAM,  
COST OF LIVING COUNCIL,  
*Washington, D.C., May 15, 1973.*

Hon. JOHN TOWER,  
*U.S. Senate,  
Washington, D.C.*

DEAR SENATOR TOWER: In late March I was afforded the opportunity to appear before the Subcommittee on Housing of the Senate Committee on Banking, Housing, and Urban Affairs to testify concerning rising lumber prices.

At that time I discussed the pressures on our supply situation which resulted from the major exports of softwood logs to Japan. My statement read in part as follows: "At the request of the Cost of Living Council, the U.S. Embassy in Tokyo has discussed with Japanese Government officials and importers the price pressures in the United States on softwood logs and lumber and the relationship between these price pressures and U.S. softwood log exports to Japan. Japanese officials indicated that they are aware of the problem and are taking and will be taking a series of actions to ease these pressures. Japan is seeking increased imports of softwood logs from other sources, such as Canada and the Soviet Union. It is now contacting these other sources and may send trade missions to those countries in the near future to accelerate imports.

"The Japanese Government believes its log import situation has stabilized from the peak month of October, 1972. Finally, the Japanese Government will give strong guidance to Japanese importers 'to ensure that Japan's log imports do not inconvenience the United States.' Japan will set a specific goal to achieve this objective after further discussion within the Japanese Government."

Following up on this statement, I am pleased to share with you the report which I have just received from W. D. Eberle, Special Repre-

sentative for Trade Negotiations concerning those negotiations. Mr. Eberle reports as follows: "The government of Japan has agreed to introduce prior import clearance measures on softwood logs imported from the United States, effective July 1, 1973. The intent is to reduce the imports for the annual period of July 1, 1973 to June 30, 1974 by 8 percent compared to the calendar year 1972, and 10.9 percent compared to the Japanese Fiscal Year 1972 (ended March 31, 1973)".

	Thousand M <sup>3</sup>	To be reduced, by (percent)
Calendar year 1972.....	10,408	8.0
JFY 1972.....	10,722	10.9

"The agreed level of imports for the period July 1, 1973 to June 30, 1974 is 9,550 thousand M<sup>3</sup>.

"Estimates of Japan's imports of softwood logs from the United States during the first half of 1973 are 5,200 thousand M<sup>3</sup>. During the second half of 1973, imports will total 4,580 thousand M<sup>3</sup>. During the second half of 1972, imports totalled 5,386 thousand M<sup>3</sup>, and the new level will constitute a 14.9 percent decrease from the same period last year.

"Comparing the 1972 total of 10,400 thousand M<sup>3</sup>, with the levels set for July 1, 1973-June 30, 1974 of 9,550 thousand M<sup>3</sup>, there is to be an 8.1 percent decrease.

"The governments of Japan and the United States have agreed to hold consultations on this arrangement should price or supply movements make it desirable to do so."

I trust you will find the foregoing of interest.

Sincerely,

JOHN T. DUNLOP,  
*Director.*

Rather than force a wedge in the free flow of goods internationally by placing export limitations on items for which the U.S. enjoys a comparative advantage, it would be preferable to allow free trade to take place in international markets. An export limitation would only force productive efforts in this country into areas in which American industry is less efficient. This would result in a "hidden" cost to the American economy, which could be avoided by allowing for free international trade. The export limitation that would be imposed by this bill is inconsistent with the principle of free trade toward which the U.S. has been moving in recent years to its own benefit as well as to that of the rest of the world. Recently, the United States undertook two devaluations of the dollar, which should serve to stimulate the export of American goods and services abroad. The intent of this bill runs contrary to the beneficial effect of those two devaluations. In light of this and the adverse effect which the bill may have on our balance of payments, we do not feel that it would be appropriate policy for the U.S. to restrain the exportation of logs unless a question of national security becomes involved.

Finally, there is the impact which the export limitation could be expected to have on discouraging the addition of new and much-

needed physical capacity in the lumber industry. Wide fluctuations from year to year are characteristic of homebuilding activity in this country. Limitations on the export of lumber would cause the U.S. lumber industry to even more closely follow the boom-and-bust nature of the homebuilding cycle. Already we have seen a decline occur in homebuilding activities. Furthermore, there is some evidence that mortgage funds may become more scarce in the near future, which will mean some further moderation in housing construction. As a result, lumber producers will need alternative markets if they are to maintain employment and production. The lumber producers in the coastal areas of Washington, Oregon, California and the Southeastern States would be most affected. In the past, they have enjoyed the alternative of supplying lumber to foreign markets as a means of adjusting to the downhill side of the homebuilding cycle.

For this reason, the export limitations that would be imposed by this bill would tend to discourage the expansion and modernization of physical capital in the lumber industry. That capacity is needed if that industry is to meet the high level of homebuilding activity which may result in the future. There are also pressures for it to modernize in order to make better use of all timber on a harvesting site and reduce waste in manufacturing. Legislation should not be adopted which would enlarge the size of fluctuations in demand that this vital industry already faces, and which is so costly in terms of efficiency and continuity of employment.

For these reasons, we believe that S. 1033 is not in the public interest and should not be adopted by the Senate.

JOHN TOWER.

WALLACE F. BENNETT.

## ADDITIONAL VIEWS OF SENATOR ROBERT TAFT, JR.

I strongly support the virtually absolute ban which S. 1033 imposes on log exports from Federal lands. Since less than 10% of United States exports come from Federal lands, as the committee report indicates, the overriding issue in the case of these exports does not relate to the domestic lumber supply. Instead, I support the ban because it is not a proper priority to use our Federal forests to supply logs for export. Our growing domestic lumber needs, in combination with the necessity of avoiding environmental harm to our Federal forests through overcutting, make exporting from these lands unacceptable for the foreseeable future.

It was with much more difficulty that I supported the limitations on log and lumber exports from non-Federal lands imposed by this bill. On the day before the mark-up session, our government obtained an agreement from Japan to limit voluntarily its imports of logs from the United States. I have generally opposed export controls and sought a free trade approach wherever practicable. I also believe that from both the economic and foreign policy standpoints, the decision to impose export controls so directly affecting Japan should be weighed most carefully. In the last two years, we have had two devaluations, one import surcharge and several voluntary "import restraint" agreements which were designed to have precisely the opposite effect as this bill with respect to our trade balance with that country.

Some witnesses estimate that the average price of a home has risen as much as \$2200 in two years solely because of increases in the price of softwood lumber. This is undeniably an extremely serious situation which must be combatted with policies designed to increase timber supplies, although it is necessary to put the export problem in perspective by noting that a small amount of the 1972 softwood timber harvest was exported.

The supply problem is certainly one major reason for supporting the export controls imposed by this bill, but the supply argument could also be made convincingly at the present time for many agricultural commodities. The possibility of providing a net increase in domestic jobs through lumber processing as a result of export controls is another relevant factor. However, both environmental considerations and the time needed for replacement of the timber supply make timber a special case as far as export controls are concerned.

Other major timber producing nations, such as Canada, have considered such factors years ago and placed restrictions on log exports. I supported the bill not because this legislation will have such tremendous immediate effect on the U.S. log and lumber situation (with the Japanese-American agreement in effect, the reduction in our fiscal 1974 log exports as a result of this bill is likely to be insignificant in relation to the total U.S. timber harvest), but rather to indicate that it is about time that we, too, assess these factors and decide whether the export of timber should be systematically monitored and regulated when necessary.

ROBERT TAFT, JR.