Retaliatory U.S. trade policy will only do harm, experts say

WASHINGTON (AP) — Two former White House economists, warning that retaliation against Japan could set off a global trade war, said Sunday that the strong dollar is responsible for the massive U.S. trade deficit.

Alan Greenspan, who served under President Gerald Ford, and Charles Schultze, an adviser to President Jimmy Carter, said they opposed measures in Congress that would force Japan to open its markets to more U.S. products.

"It's a no-win situation," Greenspan said. "It may be satisfying to bash the Japanese . . . but surely it is we who are hurt more than they and it strikes me that it's a very shortsighted policy."

Schultze said advocates of retaliation are making Japan "the scapegoat" for the inability of the United States to cut its budget deficit, which he said strengthens the dollar and makes imports cheaper for American consumers.

"We need to raise taxes," Schultze said. "We need to cut back on defense spending. We need to do something about Social Security spending. . . . That's what's fundamentally driving the dollar up, making it terribly hard to sell U.S. goods abroad and cheaper for foreigners to sell here."

The two former White House economists made the statements on ABC-TV's "This Week With David Brinkley." Appearing on the same program, Peter Sato, economic affairs minister at the Japanese Embassy, said he was "sure" his nation would agree to trade concessions.

Greenspan said U.S. protectionism would create "high prices in the United States and probably high interest rates and it probably induces a retaliation on the part of our other trading partners."

Schultze said Japan's trade policies were not "the main cause" of America's record worldwide trade deficit of $120 billion in 1984, $37 billion of it with Japan.

Greenspan said he thought Congress and the Reagan administration, which has been negotiating for trade concessions from Japan, "may be fighting the wrong war at the wrong time" because he expects the dollar to weaken late this year or next.

Sato said his nation does "not want to have a trade war. . . . We are prepared to talk about anything you raise."

Increased vet aid urged

PORTLAND (AP) — The American Legion's national commander says that the federal government needs to take care of its budget deficit — but the budget should not be balanced at the expense of the nation's 28 million veterans.

Clarence Bacon was in Portland over the weekend, where he was knighted into the city's Realm of Rosaria by the Royal Rosarians.

Bacon said that more long-term medical attention is needed as the number of elderly Americans increases. Instead, he said, the number of VA medical centers has been reduced during the past five years from 135,000to 84,000.

Most of the VA hospitals, built in the 1920s and 1930s, have not been replaced and have antiquated diagnostic and treatment equipment, Bacon said.

BLM timber contract transfer may mean a loss of $18 million

(AP) — The Bureau of Land Management may lose $18 million because it approved the transfer of 16 timber contracts and the award of three other contracts to a subsidiary logging company of Eugene-based Bohemia Inc., a federal Office of Inspector General's report concludes.

The report, obtained by The Register-Guard newspaper in Eugene through the federal Freedom of Information Act, covers an investigation made last August and September.

The probe examined the BLM's approval of the transfer of 16 contracts for timber sales in the Coos Bay, Roseburg and Eugene BLM districts, from Bohemia to a subsidiary company, W & J Logging. All are contracts priced so high that the timber cannot be harvested at a profit in today's market, the report says.

W & J Logging was purchased by Bohemia in 1972. Before that, it was an operating business that had qualified for timber sale contracts. At the time of the disputed contract transfers early last year, W & J was a "'paper' company without employees, equipment, inventory or assets," the report said.

Although company officials insist the transfers were sought for a capital gains tax advantage, the investigator noted that the transaction could free the parent company from loss if W & J chose to default on the sales and declare bankruptcy, provided the courts hold that W & J is a separate business concern.

"The question of whether W & J is a legally identifiable business entity, operably separate from Bohemia, remains to be resolved," the report concludes. "If this is in fact the situation and W & J was to default on the 16 assigned contracts, as well as three other unprofitable contracts awarded in the name of W & J, the general damages impact on the BLM could amount to approximately $18 million dollars."

No steps have been taken to resolve the issue of whether W & J is a separate legal entity, or to revoke the transfers, Stan Butzer, deputy state BLM director, said last week in Portland. That's because the BLM is waiting to see if Bohemia elects to buy out the contracts under the timber contract relief bill Congress passed last October, he said.

The measure allows companies to turn back up to 200 million board feet of timber that was bid beyond current profitable levels by paying a penalty to the government — $10 per thousand board feet in Bohemia's case.

The company will have five years to harvest remaining contracts, totaling about 300 million board feet, Bohemia President S. E. Pittman reported to shareholders in February.

C. Donald Fisher, Bohemia's vice president in charge of public affairs, said his company won't be able to decide which contracts to return until the U.S. Forest Service and the BLM issue their final regulations on the buy-out program.

Last year's investigation, conducted by J. R. Anderson, a special agent for the inspector general's office, disclosed no criminal conduct by BLM employees who approved the contract transfers. However, it recommended tighter controls in BLM's handling of future transfers.