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CANADA ADJUSTS TO KENNEDY ROUND RESULTS

Prime Minister L.B. Pearson, recently announced the introduction of an adjustment assistance programme related to the Kennedy Round. The following passages are from an official description of the programme:

...The results of the Kennedy Round afford a major opportunity for improving the productivity and speeding up the efficient expansion of Canadian secondary industry. At the same time, changing patterns of trade and production will involve transitional problems for particular firms. In these circumstances, two main objectives of Government policy are, *first*, to derive as much benefit as possible from widening markets and increasing scope for greater specialization and longer production runs and, *second*, to assist firms adversely affected to adapt effectively to more competitive conditions.

In the circumstances of freer world trade, it is essential that Canada's secondary industry should develop greater competitive strength. In some instances, if firms are to survive they will have no option but to reorganize and re-equip. In other instances, where the Canadian tariff may not be reduced significantly, the forward-looking firm will, in any case, want to reorganize and respond to the challenges and opportunities of the new world trading environment. Adjustment assistance is intended to provide suitable financial and technical support, where sought and required, for these purposes. It does not represent a new device for governmental intrusion into the private sector of the economy. On the contrary, adjustment assistance seeks only to offer secondary industry the means, if it chooses to use them and where they are otherwise lacking, for improving its economic performance. Such improvement will clearly benefit the economy as a whole, and, by improving productivity in an important sector, help

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to provide a sounder economic base required to sustain and improve standards of living and welfare for all Canadians.

ECONOMIC COUNCIL RECOMMENDATION

The importance of a general programme of adjustment assistance was stressed by the Economic Council of Canada in its 1965 annual review. It stated:

"The basic purpose of such a programme would be to bring about an effective and speedy transfer of productive resources from less efficient to more efficient lines of production. The resulting improvements in the productivity of the economy would amply justify the costs involved."

In this year's review, the Council reiterated this recommendation and emphasized the urgent need for such a programme....

It would clearly be beyond the scope of adjustment assistance to encompass any general scheme for financing the expansion of Canada's manufacturing industries. The Government has formulated a special programme designed to provide assistance under certain specific conditions of eligibility.

ASPECTS OF PROGRAMME

The principal feature of the programme will be the offer by the Government of insurance of the major share of the risk of loss on these industrial adjustment-assistance loans made by private lenders. A