tolerate privation without the hope of better days ahead. We cannot afford to wait for others to take the first steps.

I've covered a lot of ground this morning and merely scratched the surface of the complex and exciting issues that globalization entails for us all. Before finishing, I just want to focus back on North America and the further actions we can take to restore confidence and growth, and to position our countries and their corporate sectors for enhanced competitiveness in the global arena.

I see that your panel discussion at lunch today is entitled "Worldwide Tax Competitiveness." A few minutes ago, I outlined the fiscal, monetary and structural policies the Canadian government has been pursuing, emphasizing the medium-term framework required for sustainable, non-inflationary growth. These foundations for Canadian economic renewal have been built on and expanded in our government's February budget.

We moved to reduce taxes to instil confidence, boost economic growth and increase industrial competitiveness. But to pay for these tax cuts, in line with our commitment to bringing the deficit down, we also cut government spending. A major initiative in the budget was action to help Canada's manufacturing and processing sector -- representing about one-fifth of Canada's output and employment -- meet fierce global competition. The tax rate for these companies will be reduced by two points, to 21 per cent, over the next two years. As well, we increased the capital cost allowance rate for manufacturing and processing equipment from 25 to 30 per cent. These proposed changes will lower the marginal effective tax rate on investment in machinery and equipment for a large Canadian manufacturer by nearly three percentage points. This will be a full percentage point lower than the U.S. tax rate on a comparable new investment.

We also announced in the budget that we are prepared to reduce the withholding-tax rate on direct dividends paid to non-residents to five per cent. Currently, the Canadian subsidiary of a U.S. company faces, on average, a four-percentage points higher statutory tax rate on income than its American parent (43 per cent in Canada versus 39 per cent in the U.S.). When our changes are fully phased in, that burden will be reversed. The Canadian subsidiary will enjoy a one-point tax advantage (38 per cent in Canada versus 39 per cent in the U.S.). For wholly Canadian firms, the advantage will be greater -- fully four percentage points (35 per cent versus 39 per cent).

There is another budget initiative I want to highlight. This is our commitment to streamline the administration of the scientific research tax credit system -- already the most generous among the G-7 nations -- and in this way enrich it by a further $230 million.