

bilateral initiatives. Bilateral free trade with either market is not ruled out as a long-term goal, but for these and other large markets (e.g. Brazil), the prospects for improving Canadian access in the near to medium term are better through broader trade negotiations. Once again, it is a matter of choosing or creating the approaches that best fit the needs and capture the opportunities, whether bilateral, regional or multilateral. For example, the Canada-EU Trade and Investment Enhancement Agreement initiative, announced in December 2002, will aim to complement Doha Development Agenda results; work to design this novel agreement will begin this year. Incidentally, in seeking to promote opportunity elsewhere and to strive for a well-functioning international system, we improve the growth prospects for our principal customers and for poorer countries as well, creating benefits at many levels.

Since recent experience suggests bilateral agreements are now more likely with smaller partners, we face a problem of allocating our efforts. We also have to acknowledge up front that the economic gains for Canada from such agreements are likely to be slight and incremental, though they might still impose costs on some sectors facing increased competition. To help choose, we apply two general tests to any potential regional or bilateral trade initiative that we identify or, more commonly, that is proposed to us by a trading partner:

- What are our strategic interests in the region or in the partner, whether economic or political?
- What is the most effective forum in which to pursue these interests?

The lens of broader interests allows us to factor such objectives as reinforcing democracy through international engagement, or improving environmental protection through cooperation, into an overall balance of interests that is not definable in purely economic terms. In this sense, regional and bilateral agreements are our "test tubes." They have co-existed with the multilateral system since its inception in 1948, but typically they seek to go beyond the multilateral rules. By aiming at free trade they go deeper, thereby opening up new markets and providing competitive stimulus. For example, since NAFTA entered into force