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CANADA'S ASSOCIATE MEMBERSHIP IN THE EUROPEAN UNION: LEGAL AND ECONOMIC OPPORTUNITIES AND CONSTRAINTS

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SUMMARY

- The idea of Canadian associate membership, proposed in September 2026, is a political initiative for which EU law provides no distinct legal form. It could be established through a bespoke association agreement based on Article 217 of the Treaty on the Functioning of the European Union (TFEU), within a framework distinct from accession under Article 49 of the Treaty on European Union (TEU).
- The Comprehensive Economic and Trade Agreement (CETA), signed by the European Union and Canada in 2016 and provisionally applied since 2017, already eliminates tariffs on almost all goods, significantly facilitates reciprocal access to services and public procurement markets, and provides a framework for regulatory cooperation between the two parties.
- The additional economic benefits of associate membership would therefore arise primarily not from further tariff concessions, but from reducing non-tariff barriers, partially integrating services and financial markets, recognising professional qualifications, and jointly applying certain EU rules.
- Lasting, partial access to the single market would require continuous regulatory alignment. The agreement would therefore need to address not only the rules in force at the time of its conclusion, but also how the parties would respond to subsequent developments in EU law, ensure compliance with jointly accepted rules, and manage the consequences of regulatory divergence.
- The benefits and costs of deeper integration would be distributed unevenly across economic sectors and social groups. Industrial exporters, service providers, small and medium-sized enterprises (SMEs), and young people wishing to study or work abroad could gain new opportunities, while certain agricultural sectors and industries dependent on state support could face stronger competition. Given Canada's federal system, the participation of the provinces would also be indispensable to the long-term effectiveness of the arrangement.
- Of the options examined, a modular form of association would offer a means of achieving closer cooperation than that provided by CETA without requiring Canada to join a customs union or the European Economic Area (EEA). Building on CETA, a framework agreement could use separate protocols to regulate, with varying degrees of integration, trade in industrial goods, digital cooperation, research, cooperation on critical raw materials and the defence industry, professional mobility, and the opening of selected services markets. More extensive market access rights would be accompanied by dynamic regulatory alignment, independent supervision, proportionate rebalancing measures, and regular review.



In September 2026, a new and as yet legally undefined category—the concept of “associate membership”—emerged in relations between the European Union and Canada. In her State of the Union address on 16 September 2026, European Commission President Ursula von der Leyen proposed that Canada become the EU’s first “associate member” and that the Comprehensive Economic and Trade Agreement (CETA), concluded with Canada in 2016, serve as the foundation for a broader partnership centred on economic security and shared prosperity. The following day, Canadian Prime Minister Mark Carney welcomed the initiative in an address to the European Parliament. Although the parties’ political intentions have thus become clearer, the precise legal substance of the proposed arrangement has yet to take shape (European Commission, 2026a: n.p.; Government of Canada, 2026a: n.p.).

The concept of associate membership must first be distinguished from the legal categories already established under EU law. EU law does not provide for the status of an “associate member”; it does, however, recognise both full membership and the institution of association with third countries. Article 217 of the Treaty on the Functioning of the European Union (TFEU) confers exceptionally broad powers on the Union, allowing it to conclude agreements with third countries establishing an association involving reciprocal rights and obligations, common action, and special procedures. Association does not constitute a predetermined degree of integration but rather a flexible legal basis capable of accommodating arrangements ranging from Mediterranean association agreements and Ukraine’s Deep and Comprehensive Free Trade Area (DCFTA) to frameworks providing for an exceptionally high degree of economic integration (European Union, 2012: Art. 217; European Parliament, 2016: 10–21).

An association agreement and associate membership are not identical concepts. The former is an established legal instrument under EU law, whereas the latter emerged as a political concept in September 2026 and its substance remains to be negotiated. Canada’s full membership of the European Union is a separate issue: the accession clause in Article 49 of the Treaty on European Union (TEU) is open to “European States”. Under the current primary law of the European Union, the realistic means of deepening relations with Canada would therefore be not full membership, but one or more international agreements, most notably a bespoke association framework based on Article 217 of the Treaty on the Functioning of the European Union (TFEU) (European Union, 2012: 43, 144). Pursuant to Article 218 TFEU, the conclusion of an association agreement requires the Council to act unanimously and obtain the consent of the European Parliament. Whether the proposed agreement would be concluded by the EU alone or as a mixed agreement would depend on the precise substance of the commitments undertaken and the competences involved. Provisions concerning investment protection and investor–state dispute settlement, for example, would require separate examination. If the agreement also required approval by the Member States, the experience of CETA suggests that protracted national ratification procedures could delay the implementation of the new partnership.

The central argument of this study is that prospective Canadian associate membership should not be understood merely as a “CETA-plus” arrangement. The decisive difference would lie not in the removal of a limited number of additional tariffs, quantitative restrictions, or barriers to trade in services, but in whether Canada would be prepared to go beyond reciprocal trade preferences and apply the common rules required for participation in the single market. This would represent a qualitative shift: in exchange for market access, Canada would need to accept substantially broader and partly dynamic legal alignment, institutional supervision, budgetary contributions, and, in certain areas, constraints on its regulatory autonomy. The experience of the European Economic Area (EEA) demonstrates precisely that full or nearly full participation in the single market is not merely a trade policy concession, but a distinct form of external differentiated integration (Graver, 2016: 803–821; Rosén–Sverdrup, 2025: 862–879; Miglio, 2018: 475–498).



Methodology

This study examines the possible legal and economic substance of associate membership where the objective is to establish a Canada–EU relationship that is more extensive than CETA but falls short of full EU membership. The analysis focuses on five questions arising across all relevant policy areas. What market access rights would the association confer on the parties? Which EU rules would Canada be required to adopt, and in which areas would recognition of the equivalence of different regulatory systems be sufficient? How would the parties address subsequent changes in legislation? Which institutions would monitor the fulfilment of the commitments undertaken, and how would compliance be enforced? Finally, what consequences would follow if Canada or the European Union departed from the rules laid down in the agreement?

The analysis employs a comparative legal-institutional and political-economy approach. It examines CETA within the broader system of the EU's external integration by comparing it with the European Economic Area (EEA), the network of bilateral agreements between Switzerland and the EU, the EU–United Kingdom Trade and Cooperation Agreement, Deep and Comprehensive Free Trade Areas (DCFTAs), and customs union arrangements. These models do not constitute successive stages on a single ladder of integration. Each combines market access, legal alignment, participation in decision-making, supervision, and regulatory autonomy in a different manner. The comparison therefore proceeds not from the formal designation of each model, but from its institutional and regulatory characteristics. It seeks to determine which elements of these arrangements could be transposed to a transatlantic framework involving a federal state.

The political initiative has not yet been translated into either a negotiating mandate or a draft agreement. The analysis therefore clearly distinguishes between the law currently in force, officially announced political objectives, and the potential models examined by the author. At this stage, no credible aggregate estimate can be provided of the costs or trade effects of associate membership, as the scope of market opening, participation in EU programmes, legal-alignment obligations, and possible exemptions remains unknown.

Associate Membership within the European Union's External Relations Framework

The entry into force of the Treaty of Rome establishing the European Economic Community on 1 January 1958 initiated more than an internal process of tariff dismantling. The Member States also gradually developed a common external trade policy and a common customs tariff, with the customs union becoming operational in 1968. This process laid the foundations for today's common commercial policy, which is based on uniform principles pursuant to Article 207 of the Treaty on the Functioning of the European Union (TFEU). Its scope now extends beyond customs arrangements for trade in goods to encompass trade in services, the commercial aspects of intellectual property, foreign direct investment, liberalisation measures, and trade-defence instruments (European Economic Community, 1957: Arts. 110–116; European Union, 2012: 140–141).

From the outset, the size of its market and the growing extent to which the Member States negotiated with external partners as a single trading bloc have constituted structural sources of the EU's trade power. Meunier and Nicolaïdis regard these factors as a foundation of Europe's "trade power", while Bradford's "Brussels Effect" thesis demonstrates that the size of the EU market and the economic value of access to it frequently give EU rules an external regulatory impact even where third countries are under no formal obligation to adopt them (Meunier–Nicolaïdis, 2006: 906–912; Bradford, 2012: 3–10).

The significance of the European Union's external economic relations derives not only from the size of the single market, but also from the diversity of the forms of cooperation it has developed with third countries (Gálik–Molnár, 2019: 7–10). Within the EU's external relations framework, arrangements of varying depth have emerged, ranging from traditional free trade agreements and sectoral cooperation to association agreements and partial participation in the single market. The Commission's current register encompasses conventional free trade agreements, economic partnership agreements, association agreements, deep and comprehensive free trade areas, customs unions, and integration into the single market through the EEA (Meunier–Nicolaïdis, 2006: 906–925; Sáenz de Santa María, 2019: 721–751).

This system should not, however, be conceived as a simple linear “ladder” of integration. A customs union, for example, entails closer integration in external tariff policy than a free trade area, yet the EU–Türkiye Customs Union integrates services, labour mobility, and capital markets to a substantially lesser extent than the EEA. Similarly, the legal designation of an agreement as an association agreement does not in itself indicate the depth of economic integration it provides. The system is therefore better understood as a multidimensional matrix of integration.

Table 1

Principal Forms and Characteristics of the European Union's External Economic Relations

Form of relationship	Substance	Examples
WTO/MFN-based non-preferential relationship	WTO commitments, MFN tariffs, and GATT/GATS rules	Partners with which the EU has no preferential agreement
Preferential free trade agreement (FTA)	Substantial tariff elimination, rules of origin, provisions on services, and new-generation trade chapters	Canada (CETA), Japan, South Korea, New Zealand, Vietnam
Economic partnership agreement (EPA)	Trade combined with a development dimension	CARIFORUM, SADC, and Eastern and Southern African partners
Association agreement	Economic and political cooperation and an institutionalised association of varying depth	Israel, Egypt, Tunisia, Western Balkans
AA + DCFTA	Substantial alignment with EU law in addition to trade liberalisation	Ukraine, Moldova, Georgia
Customs union	Elimination of internal tariffs and a partly common external tariff policy	Türkiye, Andorra, San Marino
Sectoral bilateral integration	Partial participation in the single market based on multiple agreements	Switzerland
European Economic Area (EEA)	The four freedoms and most of the single market acquis, supported by a separate supervisory system	Norway, Iceland, Liechtenstein

Source: Author's compilation based on the EEA Agreement, CETA, and the literature on EU association agreements (EEA Agreement, 1994; CETA, 2017; European Parliament, 2016).

The Commission's list, reflecting the position as of September 2026, clearly illustrates this diversity. Norway, Iceland, and Liechtenstein participate in the EEA; Türkiye has a customs union with the EU; Ukraine is linked to the Union through an association agreement and a Deep and Comprehensive Free Trade Area (DCFTA); and the United Kingdom's Trade and Cooperation Agreement provides for a free trade relationship, but not participation in the single market. Canada's relations with the EU are currently governed by CETA. The same list also includes the Mediterranean association agreements, the Stabilisation and Association Agreements with the Western Balkan countries, and the Economic Partnership Agreements (EPAs) concluded with African, Caribbean, and Pacific states (European Commission, 2026b: n.p.).

The World Trade Organization (WTO) provides the general framework for non-preferential trade relations. In the absence of a specific preferential agreement, the EU applies its common external tariff and—subject to the derogations permitted under WTO law—the most-favoured-nation principle. The EU also grants unilateral preferences, including those available to developing countries under the Generalised Scheme of Preferences (GSP). Their underlying legal rationale differs from that of reciprocally negotiated free trade agreements. Historically, the EU's trade and development policy has evolved through the interaction of these overlapping multilateral, autonomous preferential, and bilateral treaty-based frameworks (Bartels, 2007: 715–723).

A conventional free trade area already constitutes a preferential relationship: the parties eliminate most tariffs on trade between them while retaining their own external tariffs and independent trade policies. Rules of origin are therefore necessary. Goods of Chinese or US origin entering the EU through Canada do not thereby acquire Canadian origin. To qualify for preferential tariff treatment, it must be demonstrated that the goods satisfy CETA's preferential rules of origin. This is the fundamental distinction between a free trade area and a customs union.

A customs union removes this problem within its territory for the goods covered, but at the cost of aligning external tariff policy. Türkiye's relationship with the EU therefore provides an important counterpoint in the Canadian context: the EU–Türkiye Customs Union entails extensive integration in relation to certain goods, yet Türkiye does not participate in the four freedoms of the single market and has no autonomous decision-making rights within the EU. A customs union therefore does not amount to almost complete participation in the single market; integration remains confined to specified areas of trade policy (European Commission, 2026b: n.p.).

The European Economic Area (EEA) represents a different model of integration. Norway, Iceland, and Liechtenstein participate in the single market and its four fundamental freedoms—the free movement of goods, services, persons, and capital—while the EEA also encompasses competition law, state aid, consumer protection, company law, environmental policy, and numerous areas of social policy. The EEA is not, however, a customs union and does not cover the EU's common commercial policy, common agricultural and fisheries policies, taxation policy, or economic and monetary union. The EEA is particularly relevant to Canada because it demonstrates that extensive integration into the single market is theoretically possible without a common external tariff (Graver, 2016: 805–810; Rosén–Sverdrup, 2025: 862–868).

Switzerland represents a third model. Rather than joining the EEA, it has obtained access to selected areas of the single market through numerous interconnected bilateral and sectoral agreements. This approach offers the advantage of selectivity but entails institutional fragmentation and a constant need to update the relevant agreements. The Swiss experience demonstrates that the more extensive a country's access to the single market becomes, the more difficult it is to sustain that access exclusively through static, separate agreements (Kaddous, 2008: 227–269).

A significant development occurred in 2026: on 2 March, the EU and Switzerland signed a package of agreements designed to renew their bilateral relationship, including measures to strengthen institutional and regulatory cooperation (Council of the European Union, 2026; Swiss Federal Department of Foreign Affairs, 2026). Rather than incorporating the new rules into a single, comprehensive institutional framework agreement, the parties integrated them into the individual sectoral agreements providing access to parts of the internal market. The package covers, *inter alia*, cooperation on the free movement of persons, air and land transport, conformity assessment for industrial products, food safety, and the electricity market.

In the sectors concerned, the package also provides for alignment with relevant EU legislation adopted after its conclusion, subject to the procedures and exceptions laid down in the agreements. This mechanism is intended to prevent the requirements governing the operation of the shared market from diverging after the original agreements have been concluded. The incorporation of EU law is not, however, automatic. The application of new EU legislation in Switzerland remains subject to jointly agreed procedures and the necessary domestic approval processes. In certain areas, the agreements also contain express exemptions. Agriculture provides a clear example: agricultural market regulation in the narrow sense is excluded from dynamic alignment, whereas cooperation on food safety is subject to this obligation.

The Swiss model does not demonstrate that a third country may automatically enter selected areas of the single market. Rather, the package illustrates how market access in specified sectors can be linked to the continuous application of common rules and the institutional safeguards necessary to support them. For Canada, the Swiss example similarly demonstrates that there is no predetermined, uniform EU model for cooperation extending beyond CETA. The specific substance of associate membership would therefore need to be developed jointly by the European Union and Canada. An agreement could be limited to expanding the existing provisions of CETA, but it could also establish a substantially more extensive form of economic integration that would nevertheless remain narrower in scope than the EEA.

Dynamic Regulatory Alignment

The depth of external integration is not determined solely by the volume of EU legislation adopted by a partner at the time an agreement is signed. What happens thereafter is equally important. The body of law governing the single market evolves continuously: new product-safety, digital, financial, environmental, and consumer-protection standards enter into force, while existing rules are amended or supplemented by implementing acts. If a partner undertakes to apply only the rules in force when the agreement is concluded, the initial degree of alignment may quickly become outdated. Static legal approximation may therefore facilitate trade, but it cannot by itself ensure the lasting homogeneity of the single market.

Dynamic alignment comprises four fundamental elements. First, it must be determined in which areas of the association a new item of EU legislation is applicable, after which the technical and constitutional conditions necessary for its application must be established. The contracting party must then incorporate the rule into its domestic legal order and ensure its effective application. Finally, the system must provide appropriate procedures for cases in which incorporation is delayed, implementation is incomplete, or the partner deliberately diverges from EU rules. The EEA Joint Committee performs these functions through an institutionalised procedure, while Article 102 of the EEA Agreement permits, as a measure of last resort, the provisional suspension of the affected part of the Agreement (EEA Agreement, Art. 102; European Free Trade Association, 2026a). Although the incorporation of EU legislation is not formally automatic, the need to preserve the homogeneity of the single market creates a strong structural incentive for its timely incorporation.

Regulatory cooperation under CETA follows a different logic. The parties may engage in dialogue, exchange information, and voluntarily reduce unnecessary regulatory differences, but neither is under a general obligation to adopt the other party's future legislation. This approach is consistent with a modern free trade agreement that opens markets while preserving regulatory autonomy (de Mestral, 2015: 641–654). Associate membership would begin to offer a qualitative advance where, in particular sectors, regulatory cooperation was replaced or supplemented by a binding mechanism governing future regulatory developments.

The package of EU–Switzerland agreements signed in 2026 likewise illustrates that deeper sectoral market access requires common procedures for alignment with subsequent changes in EU legislation, the supervision of state aid, and the settlement of disputes. At the same time, the Swiss example demonstrates that these obligations may be confined to the sectors covered by participation in the single market, without requiring the partner country to adopt EU rules across every area of its economy (Council of the European Union, 2026; Swiss Federal Department of Foreign Affairs, 2026).

Four regulatory techniques could be combined within a Canadian arrangement. Traditional regulatory cooperation would preserve Canada's regulatory autonomy but would expand market access only to a limited extent. Equivalence would allow Canada to achieve comparable outcomes through different rules, although the EU could withdraw its recognition, which would generally remain sector-specific. Under an approach based on the joint management of regulatory divergence, Canada could retain different rules while the parties agreed in advance on proportionate rebalancing or suspension measures to address significant distortions of competition. The most extensive option would be the dynamic incorporation of EU law, comparable to the EEA model. There is no reason to apply the same technique in every field. A higher degree of regulatory homogeneity may be feasible for industrial product safety than in agriculture or across the financial regulatory system as a whole.

Table 2
Potential Forms of Regulatory Cooperation:
The Relationship between Market Access and Institutional Obligations

Integration technique	Partner's degree of regulatory autonomy	Nature of market access rights available	Response to subsequent divergence
Voluntary regulatory cooperation	Broad	Trade facilitation	Consultation
Recognition of regulatory equivalence	Moderate or broad	Limited sectoral access	Modification or withdrawal of recognition
Joint management of regulatory divergence	Moderate	Conditional, broader market access	Proportionate rebalancing measures
Dynamic incorporation of the EU <i>acquis</i>	Limited	Single-market-type rights	Suspension or supervisory or judicial proceedings

Source: Author's compilation based on the regulatory and institutional arrangements established under CETA, the EEA Agreement, and the EU–United Kingdom Trade and Cooperation Agreement (CETA, 2017; EEA Agreement, 1994; European Union–United Kingdom, 2021).



As market access expanded, businesses could acquire more direct rights in the other party's market, requiring stricter regulatory compliance and more effective supervision. Different forms of cooperation may therefore be compared not only by the degree of market access they provide, but also by the institutional obligations required to maintain that access.

CETA as a Starting Point

CETA is one of the most comprehensive examples of the EU's new generation of free trade agreements. The European Parliament gave its consent to the agreement in 2017, and it has been provisionally applied since 21 September 2017. As of September 2026, however, it has still not entered fully into force: according to the European Commission, 17 Member States have completed national ratification, while ten—including Hungary—have yet to do so. This in itself offers an important political lesson for any new agreement on associate membership: the more extensive an agreement is and the more Member State competences it engages, the more complex its ratification may become (European Commission, 2026b: n.p.).

CETA establishes a free trade area, not a customs union. Despite the elimination of almost all tariffs, Canada retains its own external tariff and its full capacity to conclude trade agreements. According to the Commission's latest summary, the agreement covers 99 per cent of tariff lines, with 98 per cent becoming duty-free upon the commencement of provisional application. Goods must nevertheless continue to satisfy CETA's rules of origin (CETA, 2017: Ch. 2 and Protocol on Rules of Origin; European Commission, 2026b: n.p.).

The scope of the agreement extends considerably further. It contains provisions on services, investment, public procurement, intellectual property and geographical indications, technical barriers to trade, sanitary and phytosanitary measures, regulatory cooperation, sustainable development, labour rights, and environmental protection. CETA therefore extends beyond tariff elimination to encompass a wide range of economic and regulatory fields (Fahey, 2017: 293–302).

Nevertheless, CETA is not a single market agreement. It does not provide for the general free movement of workers; establish an EU-style freedom of establishment for all economic operators; provide for the automatic recognition of qualifications; integrate Canada into the EU's common market-surveillance system; confer voting or decision-making rights within EU institutions; establish state-aid control comparable to that under EU or EEA law; or eliminate the customs border and rules of origin between the EU and Canada (Fahey, 2017: 299–302; CETA, 2017: Chs. 2, 9, 11, 19, 21, 26).

The limited nature of regulatory cooperation is particularly significant. Chapter 21 of CETA established the Regulatory Cooperation Forum and facilitates mutual understanding of the parties' regulatory practices, the exchange of information, and the further development of regulatory cooperation. The system nevertheless remains essentially a mechanism for cooperation and consultation. Articles 21.4–21.6 impose no obligation on Canada automatically to adopt future EU legislation, or vice versa. CETA thus provides for regulatory cooperation but does not establish a system based on mandatory alignment with subsequent legislative developments (Fahey, 2017: 298–300).

Associate membership could bring about a substantive change in the nature of regulatory cooperation. CETA is based on static treaty commitments, cooperation through joint committees, and subsequent improvements negotiated by mutual agreement. By contrast, association with the single market would require the parties to determine in the framework agreement itself what would happen when the EU amended its internal rules. The regulatory framework of the single market evolves continuously. The



product standards, digital law, financial regulation, environmental requirements, and public procurement rules in force in 2026 may change substantially within only a few years.

It is therefore useful to distinguish between two levels of further development beyond CETA. The first would involve the conventional deepening of the agreement. This could include expanding the arrangements under which bodies recognised by one party may test and certify products in accordance with the other party's requirements, with both parties accepting the resulting certificates. Other possibilities include agreements on the mutual recognition of professional qualifications (Mutual Recognition Agreements, MRAs); rules on digital trade; recognition of the equivalence of sanitary and phytosanitary measures (SPS equivalence); interoperability between the parties' electronic public procurement systems; greater mobility for researchers, businesspeople, and young people; partnerships on energy and critical raw materials; and regulatory cooperation on artificial intelligence. Most of these measures would remain within the existing logic of cooperation between two autonomous regulatory systems.

The second level would entail partial integration of the parties' legal orders. In designated sectors, Canada would undertake not only to align its rules with the EU law in force in 2026, but also to incorporate relevant future legislation. In return, Canadian businesses could acquire internal market rights in those sectors that extend substantially beyond the access available under a free trade agreement. This would mark the dividing line between a CETA-plus arrangement and genuine associate membership.

Agriculture, however, illustrates the limits of market opening based on CETA. Closer cooperation is conceivable without participation in the Common Agricultural Policy, but further liberalisation of trade in agricultural products would require separate negotiations on market access for sensitive sectors and on food-safety, animal-health, and plant-health requirements. The economic and regulatory implications of these issues are examined in detail in the subsequent chapter on agriculture.

Three Potential Models of Associate Membership

The possible forms of Canadian association would differ primarily in the extent of access to the single market and the regulatory obligations undertaken. The narrowest option would establish a CETA-plus strategic association: CETA would be supplemented by agreements on energy, critical raw materials, defence, research, digital cooperation, and mobility, but Canada would not participate in the general legal framework of the single market. A sectoral integration model could provide for Swiss-style participation in selected areas of the single market, with Canada accepting the relevant EU *acquis* and aligning dynamically with its subsequent development in specified sectors. The most extensive option would be an EEA-style economic association encompassing—with possible exceptions for Canada—the four freedoms, competition and state-aid rules, public procurement, horizontal regulation, institutional supervision, and the regular incorporation of the EU *acquis*. The principal distinction between the three models would therefore lie not in tariff treatment, but in the depth of legal integration (Graver, 2016: 803–821; European Parliament, 2016: 22–40).

A CETA-plus arrangement would primarily extend existing trade preferences and opportunities for mutual recognition, while Canada and the European Union retained their autonomous regulatory systems. By contrast, a Swiss-style arrangement could require the application of common rules in specified sectors and alignment with their subsequent development. An EEA-style association would provide substantially broader participation in the single market and would entail more comprehensive obligations concerning the incorporation of EU law, supervision, and institutional cooperation.

The significance of the differences between these models would vary across economic sectors. In trade in goods, the emphasis would shift from further tariff reductions to technical requirements,



conformity assessment, and market surveillance. In services and capital movements, deeper integration would affect market access rights, authorisation and supervisory systems, and the conditions governing investment screening. The free movement of persons and the recognition of professional qualifications would present even more complex challenges, particularly because of the competences exercised by Canada's provinces. The alignment of state-aid and public procurement rules would likewise determine the extent to which reciprocal market opening could be achieved.

For Canada, the most appropriate approach would therefore not necessarily involve adopting any single model of integration in its entirety. An association establishing different obligations for different sectors could allow the parties to deepen economic cooperation where the expected benefits and regulatory conditions justified doing so, while retaining the existing framework of CETA-based cooperation in other areas. The following chapters examine the opportunities and constraints associated with integration in individual sectors.

Agriculture and Food Safety

Agriculture illustrates particularly clearly why the distribution of interests between the EU and Canada cannot be assessed solely on the basis of the trade balance. CETA brought significant tariff reductions, but quotas, transitional arrangements, and exemptions remain in place for sensitive products. European cheese exporters gained greater access to the Canadian market, while Canada's supply management system protects domestic dairy producers through production quotas and import restrictions. Further market opening could therefore benefit consumers, importers, and European producers, while exposing Canadian dairy farmers to income and investment risks (Agriculture and Agri-Food Canada, 2025).

In trade flowing in the opposite direction, Canadian beef and pork producers have an interest in reducing quotas and other barriers to effective market access. EU livestock producers, by contrast, may be concerned about increasing import competition. Tariffs, however, constitute only one category of barrier. EU rules on food safety, animal health, and plant health, together with restrictions on hormone-treated meat, maximum residue levels for pesticides, biotechnology authorisation procedures, and traceability requirements, establish separate conditions for market access. Expanding a tariff-rate quota does not in itself enable exports if the product fails to comply with these requirements.

Canadian associate membership would not need to extend to the Common Agricultural Policy. The EEA precedent demonstrates that the common agricultural and fisheries policies may be excluded from extensive internal market integration. The position is different, however, with regard to sanitary and phytosanitary (SPS) rules. If the objective were to reduce border inspections and documentary and certification requirements substantially, the parties would need not only to trust each other's inspection authorities, but also to maintain the lasting equivalence of the underlying risk-management rules. Further opening of agricultural markets could encounter particularly sensitive conflicts of interest because EU and Canadian rules reflect different production structures and consumer preferences.

The advantages and disadvantages of market opening would also be distributed unevenly across regions. The importance of Canada's supply-managed agricultural sectors, as well as the interests associated with cattle and grain exports, varies among the provinces. Within the European Union, the competitive effects would differ between large, export-oriented processors and regions in which agriculture continues to perform an important employment and social function. Without compensation, transitional arrangements, and adjustment mechanisms, a more extensive agreement could therefore readily generate broad political opposition.



As an initial step, it would consequently be more appropriate to strengthen cooperation between the relevant authorities, facilitate the mutual acceptance of inspection results, develop electronic certification, and coordinate regional animal-health and plant-health measures, rather than pursue further tariff reductions. Comprehensive alignment of sanitary and phytosanitary rules could become a realistic objective only at a later stage of cooperation. Although less politically conspicuous, such progress could produce more immediate and measurable reductions in trade costs.

Services, Capital Movements, and Financial Integration

Subject to the reservations and exceptions specified in the agreement, CETA's provisions on services provide for market access and national treatment, while also facilitating the temporary entry and stay of certain categories of business persons. These arrangements are not, however, equivalent to the freedoms to provide services and of establishment under the TFEU. Unless a specific recognition arrangement has been concluded for the sector concerned, a Canadian service provider must continue to comply with the host country's authorisation, prudential, and professional requirements. One condition of deeper participation in the single market would be the recognition, with specified legal effects, of authorisations issued and supervisory decisions taken by one party within the territory of the other.

This would entail a particularly demanding institutional threshold in financial services. The EU passporting system—which enables a service provider authorised in one Member State to operate throughout the European Union—is not merely a trade preference. It forms part of an interconnected system encompassing prudential rules, capital requirements, bank resolution, deposit and investor protection, anti-money-laundering controls, consumer protection, and supervisory cooperation. The experience of Brexit has demonstrated that equivalence is not a substitute for passporting. EU law attaches different legal effects to equivalence determinations for different financial activities, and the EU may amend or withdraw such determinations under specified conditions. The European Parliament has likewise linked passporting rights to the single market's common regulatory, supervisory, and judicial structures (European Parliament, 2018).

Canada's federal system further complicates the alignment of financial-services regulation. At the federal level, the Office of the Superintendent of Financial Institutions is responsible for the prudential supervision of banks and several categories of major financial institution. Securities regulation, however, falls primarily within provincial and territorial jurisdiction. Provincial and territorial securities regulators coordinate their activities through the Canadian Securities Administrators. A passport mechanism comparable to the European system operates across several jurisdictions, but this does not transform the arrangement into a unified federal system of capital-market supervision (Canadian Securities Administrators, 2026). Establishing an EU–Canada financial passporting system would therefore require the EU to accept the allocation of responsibilities within Canada's supervisory network, while Canada would need to ensure that prudential requirements were applied consistently and could be adapted effectively.

The free movement of capital is not equivalent to the liberalisation of financial services. Foreign direct investment, portfolio investment, bank lending, securities trading, and corporate acquisitions create different types of risk. Even within the EU internal market, such transactions may be restricted by sanctions, anti-money-laundering rules, prudential requirements, and national-security investment screening. Canadian associate status could therefore not entail entirely unrestricted capital flows. The relevant question would be in which financial fields Canada should participate in the logic of the EU's



“single rulebook” and in which it should retain the status of a third country whose regulatory framework is recognised as equivalent.

As an initial step towards gradual integration, cooperation and information exchange between financial supervisory authorities could be strengthened; the regulatory equivalence of selected market infrastructures could be recognised on a targeted basis; the cross-border marketing of investment funds could be simplified; and interoperability between payment systems could be improved. A comprehensive passporting regime for banking or investment services would be justified only if legal compliance, joint supervision, and access to remedies provided safeguards approaching those available under the EEA framework.

Academic Degrees, Professional Qualifications, and the Right to Work

Three distinct issues must be distinguished in relation to the mobility of persons. Academic recognition of a degree entails acceptance of the level or content of a qualification, for example for the purpose of further study. In certain professions—including medicine, law, and engineering—employment may also require the formal recognition of a professional qualification obtained abroad (Federation of Law Societies of Canada, 2026). The right to work, by contrast, concerns the conditions under which a foreign national may take up employment in the host country; this must in turn be distinguished from the right of entry and residence. Recognition of a Canadian medical or engineering degree in Europe does not in itself confer the right to practise the profession concerned, nor does it automatically grant immigration or residence rights.

Within the EU internal market, these systems are partly interconnected. Under Article 45 TFEU, an EU worker may work in another Member State without obtaining a separate work permit. Directive 2005/36/EC governs the recognition of qualifications in regulated professions and, for certain professions, establishes automatic recognition on the basis of harmonised minimum training requirements (European Parliament and Council, 2005: Art. 21). This system is workable because the Member States have adopted a common EU legal framework whose provisions are judicially enforceable.

In Canada, the licensing of many professions falls within provincial or territorial jurisdiction. The engineering profession, for example, is regulated by provincial and territorial authorities (Engineers Canada, 2026). CETA did not introduce the general automatic recognition of professional qualifications. Chapter 11 of the agreement instead provides a framework within which professional bodies and competent authorities may develop mutual recognition agreements for individual professions. For each profession, the process entails a comparison of education and training, practical experience, ethical requirements, and professional liability regimes.

Both the complexity and duration of this process, as well as its practical viability, are illustrated by the entry into force on 18 December 2025 of the first mutual recognition agreement concluded under CETA, concerning architects’ professional qualifications. The parties issued guidance on its application in January 2026. The agreement does not, however, mean that the professionals concerned automatically acquire the right to practise in the other party’s territory without satisfying further requirements. A European architect must possess an appropriate qualification, a valid professional licence, and the required professional experience. The granting of a licence may also be made conditional on demonstrating specified language proficiency, while in Canada the architect must register with the competent provincial or territorial authority (Government of Canada, 2025; European Commission, 2026c; CETA Joint Committee, 2024).



Cooperation could be deepened at three levels. The first would involve accelerating the development of further mutual recognition agreements for professional qualifications. The second would extend to aligning recognition procedures, strengthening information exchange between the competent authorities, and establishing common minimum requirements for selected groups of professions. Under the most extensive form of cooperation, Canada would also continuously incorporate relevant changes to the EU rules governing the recognition of professional qualifications. This would significantly constrain the autonomy of provincial regulators. The federal government could therefore not credibly negotiate such an arrangement without the institutionalised participation of the provinces.

Access to employment would require an even greater degree of integration. Chapter 10 of CETA provides for the temporary entry of specified categories of business persons, including key personnel, intra-corporate transferees, investors, contractual service suppliers, independent professionals, and short-term business visitors. This approach primarily facilitates temporary work connected with the provision of services, without granting the other party's nationals a general right to work or establish residence (CETA, Arts. 10.7–10.8). The free movement of workers, by contrast, would confer rights to seek and take up employment and to receive equal treatment without requiring a separate permit.

In addition to regulating access to employment, closer cooperation between the social security systems would also be necessary. EU Regulations (EC) No 883/2004 and (EC) No 987/2009 determine which country's social security system covers persons working in another Member State, provide for the aggregation of insurance periods completed in different Member States, and permit certain cash benefits to be paid abroad. An EU–Canada framework would need to address the status of family members, pension entitlements, health insurance, unemployment benefits, posted workers, and equal treatment. In his address to the plenary session of the European Parliament in Strasbourg on 17 September 2026, Canadian Prime Minister Mark Carney called for greater opportunities for young Europeans and Canadians to study, work, and live on the other side of the Atlantic. This initiative could provide the basis for a gradually developing youth mobility scheme, but it does not in itself constitute a commitment to establish the free movement of persons modelled on that of the European Union (Government of Canada, 2026a).

Dual North American and European Integration

One potential obstacle frequently raised in connection with Canada's closer integration with Europe is that the country already maintains extensive trade relations with the United States and Mexico. Free trade agreements are not, however, mutually exclusive. Canada's North American economic relationships would therefore not in themselves preclude further deepening of its cooperation with the European Union. Canada is currently a party to both CUSMA and CETA, as well as to several other preferential trade agreements. Separate rules of origin distinguish these free trade agreements from one another. A US product does not automatically become a Canadian product eligible for EU preferences merely because it is exported through Canada, just as a European component does not automatically qualify as a Canadian input originating under CUSMA. CUSMA applies its own rules of origin, and Canadian exporters must demonstrate the relevant preferential origin (CUSMA, 2020: Ch. 4; CETA, 2017: Protocol on Rules of Origin).

The issue becomes considerably more difficult if the EU–Canada relationship develops beyond a free trade agreement into integration with the single market or a customs union. An EU–Canada customs union would be difficult to reconcile with Canada's current position in the North American economy. A customs union would require a common or closely aligned external tariff and commercial policy. Canada could therefore not retain unchanged its autonomous tariff commitments towards the United States and Mexico



where these differed from those of the EU. CUSMA, Canada's WTO commitments, and its numerous free trade agreements with third countries would need to be revised. The experience of the EU–Türkiye Customs Union also demonstrates that alignment with a common external commercial policy without participation in decision-making can generate substantial asymmetries. A comprehensive customs union would consequently be the least suitable model of associate membership for Canada.

By contrast, an EEA-style association with the single market but without a customs union could, in principle, remain compatible with CUSMA. The European Economic Area demonstrates that the four freedoms of the internal market may operate without a common external tariff. The origin of goods would nevertheless still need to be verified. A product manufactured in Canada would have to satisfy the rules of CUSMA and those of the EU–Canada agreement separately if it were to receive preferential treatment in both markets (European Free Trade Association, 2026b: n.p.).

This would encourage businesses to reorganise their supply networks and production processes. Suppose, for example, that a Canadian vehicle manufacturer uses a substantial quantity of European components. Inputs originating in the EU might, in certain circumstances, facilitate acquisition of preferential origin under the EU–Canada agreement, but they would not automatically qualify as originating under CUSMA. Conversely, extensive use of US or Mexican inputs could facilitate acquisition of preferential origin under CUSMA, but not under the EU arrangement. Unless the rules of origin under the two agreements were coordinated, European and North American materials used in Canada could not automatically be cumulated when determining eligibility for preferential tariff treatment. Businesses would therefore need to decide, on a product-by-product basis, which supply networks and inputs of which origin should be used for goods intended for each market.

This would not necessarily create a competitive disadvantage. A well-designed agreement could transform Canada into a transatlantic production and trade hub enjoying extensive access to both the North American and European markets. The value of this position would derive precisely from Canada's retention of its commercial-policy autonomy. Its success would, however, depend on rules of origin that were sufficiently clear and administratively manageable to prevent the costs of dual compliance from eroding the economic value of the preferences.

Dual regulatory requirements present an even more fundamental challenge. The Canadian economy is structurally integrated to a very high degree with that of the United States, and numerous product standards, supply chains, and business models have developed within a North American environment. If Canada were to align continuously with changes in EU law in certain fields, the same product could become subject to different North American and European requirements. Businesses could respond in several ways: they could comply with both regulatory systems, manufacture separate product variants for the European and North American markets, or apply the stricter requirements across all their markets. The last option would be particularly likely where separating production would be costly and losing access to the EU market would entail substantial losses (see Bradford, 2012: 18–35, for a detailed discussion).

One of the principal technical tasks in negotiations on associate membership would be to determine where full legal alignment was justified, where recognition of regulatory equivalence would suffice, and in which sectors the parties could retain their autonomous regulatory systems. It would be unreasonable, for example, to align all Canadian rules with EU requirements for products manufactured predominantly for the North American market. In other sectors—including pharmaceuticals, medical devices, the extraction and processing of critical raw materials, clean technologies, and digital services—the alignment of regulatory requirements and mutual recognition of technical standards could generate substantial economic benefits.



Canada's federal structure raises a separate set of issues. The CETA negotiations were already unusual in the extent to which the Canadian provinces participated, particularly because of the commitments concerning public procurement, professional regulation, services, and other regulatory matters. According to the literature, this was not simply a matter of political goodwill: the federal government cannot unilaterally implement every commitment undertaken in an international agreement where the relevant implementing powers belong to the provinces (Kukucha, 2013: 528–537; Paquin, 2013: 545–552). Provincial involvement could not therefore be confined to the preparation of the agreement. The Canadian system would also need to ensure that subsequent changes in EU rules on public procurement, environmental protection, energy, labour law, or professional regulation were implemented promptly and coherently while respecting provincial competences. For Canada, associate membership would consequently be as much a project of domestic federal governance as an external trade agreement.

A similar consideration applies to labour matters. CETA's trade and labour chapter is based on maintaining fundamental labour standards and promoting cooperation; it does not create a common labour market comparable to that of the European Union. A more extensive model of association would, however, raise questions concerning equal treatment of workers, the posting of workers, occupational health and safety, working time, social security coordination, and potentially collective labour rights. EEA-style integration would therefore entail obligations concerning employment and social rights that extend considerably beyond those found in conventional free trade cooperation (European Free Trade Association, 2026b: n.p.).

Industrial policy and state aid become particularly complex when viewed in the context of the North American economic environment. In recent years, both the United States and Canada have introduced large-scale incentive schemes for green industry and technology, prompting the European Union to develop its own strategic support frameworks. Partly to offset the attraction of the US market, Canada provides substantial public support for domestic investment in batteries, vehicles, and critical raw materials. If Canada sought partial access to the European single market, a central question would be how its support policies aimed at preserving a North American production base could be reconciled with EU rules prohibiting distortive state aid without requiring Canada to relinquish its autonomous industrial-policy capacity (Rosén–Sverdrup, 2025: 868–875; European Free Trade Association, 2026b: n.p.).

Federalism and the Sectoral Political Economy of Integration

Deeper integration cannot be assessed as though Canada and the European Union were unitary actors that would each emerge either as a winner or a loser. The benefits and adjustment costs would be distributed across sectors, firm sizes, regions, and social groups. Large multinational companies could avoid some of the costs associated with duplicate authorisation and testing procedures. In relative terms, these savings could be even more important for small and medium-sized enterprises, for which compliance with a second regulatory regime frequently constitutes a barrier to market entry. At the same time, dismantling regulatory barriers could expose domestic firms that have benefited from market fragmentation and divergent national rules to more intense competition.

In professional services, consumers and businesses operating across borders could benefit from greater supply and lower barriers to entry. The central question is which regulatory differences serve a legitimate public interest and which constitute disproportionate restrictions on market access.

In the field of industrial policy, integration in critical raw materials, batteries, clean-energy technologies, artificial intelligence, and the defence industry could attract substantial investment. State-aid discipline imposed as a condition of deeper access to the internal market would, however, directly engage



Canada's federal structure. A significant proportion of business subsidies and targeted tax incentives are determined at the provincial level, meaning that the federal government does not exercise direct control over all such measures. Effective implementation of international commitments restricting support granted within provincial jurisdiction would therefore require the institutionalised cooperation of the provinces. Introducing state-aid control in Canada would consequently raise not only external trade issues, but also sensitive questions concerning the domestic allocation of powers within the federation.

The federal–provincial cooperation developed during the CETA negotiations would provide an important institutional precedent. Alignment with subsequent changes in EU legislation would nevertheless require the sustained and regular participation of the provinces (Kukucha, 2013: 528–537; Paquin, 2013: 545–552; Broschek–Goff, 2022: 801–820).

Associate membership would therefore require not only deeper external trade relations, but also stronger cooperation between the federal government and the provinces. Implementing the agreement would require the establishment of a federal–provincial coordination forum, mechanisms to ensure timely alignment with changes in EU legislation and the development of a coherent Canadian position, and an implementation timetable that took provincial legislative procedures into account. The agreement would also need to determine in advance whether a province's failure to implement an agreed rule would trigger trade or other consequences for the sector concerned, for the individual province, or for Canada as a whole.

Ensuring a Level Playing Field: Lessons from the UK Agreement

Deeper economic integration between the European Union and Canada would require not only the simplification of market access conditions, but also the maintenance of a level playing field between businesses. In international trade policy, the essence of the “level playing field” requirement is to prevent either party from securing advantages arising from reciprocal market opening through subsidies, regulatory relaxation, or other economic policy instruments that place the other party's businesses at an unjustified competitive disadvantage. The issue extends beyond traditional competition law: subsidy policy, taxation, labour rights, environmental protection, and climate policy may all affect firms' production costs and international competitiveness (House of Commons Library, 2021).

This issue acquired particular significance during the negotiations following the United Kingdom's withdrawal from the European Union. The UK government sought to preserve its regulatory autonomy and freedom to pursue an independent subsidy policy, while the European Union sought to make the continuation of close economic relations conditional upon safeguards against significant distortions of competition. The Trade and Cooperation Agreement (TCA), signed in December 2020 and entering into force on 1 May 2021, consequently treats the maintenance of a level playing field as a distinct and comprehensively regulated field. Title XI of the Agreement encompasses competition policy, subsidy control, state-owned enterprises, taxation, and requirements relating to labour rights, environmental protection, and climate policy (European Union–United Kingdom, 2021: Arts. 355–411).

A distinctive feature of the UK agreement is that it does not require the comprehensive and continuous incorporation of EU law. The parties retain their autonomous regulatory systems but have accepted common principles intended to prevent regulatory differences from producing significant distortions of competition. The Agreement is therefore based not on the uniformity of legislation, but on maintaining conditions of fair competition between divergent regulatory systems. This approach could also provide an important point of departure for Canada, since deeper integration with Europe would not necessarily require the adoption of EU rules in every field (European Union–United Kingdom, 2021: Arts. 355–356; House of Commons Library, 2021).



State Aid and Conflicting Industrial Policy Interests

One of the most sensitive aspects of maintaining a level playing field is the control of state aid. Articles 107–109 of the Treaty on the Functioning of the European Union regulate in detail the compatibility of aid granted by Member States with the internal market. EU rules do not prohibit public support for businesses as a general principle; rather, they determine the conditions under which aid affecting competition and trade between Member States may be granted. Particular importance attaches to whether a measure confers a selective advantage on certain undertakings or sectors and to its effects on competition within the internal market (European Union, 2012: Arts. 107–109).

By contrast, the UK agreement did not extend the EU state-aid regime to the United Kingdom as a whole. The two parties operate their own subsidy-control systems, which must nevertheless comply with shared principles. Subsidies must pursue specified public-policy objectives, and their justification, proportionality, and effects on trade and investment must be assessed. The Agreement also contains provisions on transparency, independent oversight of subsidies, judicial remedies, and the countermeasures available in response to measures that distort competition (European Union–United Kingdom, 2021: Arts. 363–375).

CETA's existing provisions on subsidies establish more limited obligations. Chapter 7 of the Agreement focuses primarily on transparency, information exchange, and consultations concerning measures that adversely affect the other party's trade interests. Its provisions on consultations regarding subsidies are not, however, subject to CETA's general dispute-settlement procedure. The Agreement therefore does not establish a comprehensive subsidy-control mechanism comparable to the EU state-aid regime (CETA, 2017: Arts. 7.1–7.9).

In the context of Canadian associate membership, differences in subsidy policy could become particularly significant in the automotive industry, battery manufacturing, the processing of critical raw materials, the development of clean-energy technologies, and the defence industry. Both Canada and the European Union have economic and strategic interests in expanding these activities, but differences in the availability of public support could also influence competition for investment. Substantial Canadian federal or provincial support, for example, could create more favourable conditions for a company's investment in Canada than those available for a planned investment by the same company in Europe. Conversely, Canadian businesses could be placed at a competitive disadvantage if their European competitors received EU or Member State support from which Canadian firms were excluded.

Resolving these conflicts of interest could not, however, entail the general abolition of industrial-policy support. Both parties may have legitimate reasons to support research and development, the energy transition, regional development, and strategic industries. Common rules would therefore need to ensure that subsidies pursued clearly defined public-policy objectives, were transparent and proportionate, and did not cause unjustified distortions of competition in the other party's market.

Labour, Environmental, and Climate Policy Requirements

The conditions of competition between businesses are shaped by more than state aid alone. Differences in rules governing occupational health and safety, working time, workers' rights, environmental protection, or carbon emissions may all affect firms' production costs and competitive position. Any deeper market opening would therefore also need to consider whether regulatory differences caused significant distortions of trade or investment between the parties.



One important innovation of the UK agreement is its non-regression obligation, which prohibits reductions in previously achieved levels of protection where these affect trade or investment. The parties undertook not to weaken their labour, social, environmental, or climate protection standards in a manner affecting trade or investment between them. This does not, however, freeze the relevant regulatory frameworks or require UK law automatically to align with every subsequent change in EU legislation (European Union–United Kingdom, 2021: Arts. 387, 391; House of Commons Library, 2021).

CETA already contains provisions requiring the parties to maintain labour and environmental standards, enforce the rules in force, and refrain from weakening them in order to encourage trade. The obligations set out in Chapters 23 and 24 are enforced through the Agreement’s specific consultation and expert-review mechanisms rather than through CETA’s general state-to-state dispute-settlement system (CETA, 2017: Chs. 23–24).

Deeper Canadian association would therefore require not so much the formulation of new principles as the more precise definition and more effective enforcement of existing commitments. The parties could agree on the labour and environmental requirements to be maintained in sectors benefiting from broader access to the single market, the means of monitoring compliance, and the consequences of regulatory divergence that significantly affected competitive conditions.

Climate policy would merit particular attention. On 1 January 2026, the European Union began applying the definitive regime of its Carbon Border Adjustment Mechanism (CBAM) to carbon-intensive imports. For specified product categories, the mechanism seeks to reduce competitive disparities between EU and foreign producers arising from differences in carbon pricing by taking account of the carbon cost associated with emissions embedded in imported goods. Subject to the relevant conditions, a carbon price effectively paid in the country of origin may be taken into account when determining the obligation arising under EU law (European Commission, 2026f).

Closer industrial integration between Canada and the European Union could therefore require deeper cooperation between their carbon-pricing systems, coordinated verification of emissions data, and arrangements to avoid possible double charging. This could be particularly significant for steel and aluminium, fertiliser production, and other energy-intensive industrial activities. Such cooperation would not, however, necessarily require complete harmonisation of the parties’ climate policy frameworks.

Taxation, Public Procurement, and Regulatory Divergence

The level playing field would also extend to taxation policy. Differences in corporate tax burdens, tax incentives, and investment-promotion measures may significantly influence corporate location decisions and the geographical distribution of investment. Differences in taxation policy do not, however, in themselves constitute unfair competition. The UK agreement does not prescribe uniform corporate tax rates, but instead focuses primarily on tax transparency, good tax governance, and compliance with international tax standards (European Union–United Kingdom, 2021: Arts. 381–382; House of Commons Library, 2021).

In the context of Canadian associate membership, a distinction would therefore need to be drawn between general differences in taxation policy and selective tax advantages granted to specified groups of businesses. Under certain conditions, the latter may distort competition in a manner comparable to state aid. Rather than requiring the comprehensive harmonisation of Canadian and EU taxation systems, the agreement should primarily regulate the transparency of tax advantages, the identification of eligible beneficiaries, and the assessment of their effects on the markets concerned.



Similar issues could arise in public procurement. CETA already provides substantial reciprocal access to the parties' procurement markets, including numerous procurement procedures at the Canadian provincial and local levels. Market opening under the Agreement is nevertheless subject to value thresholds, its specified institutional and sectoral coverage, and particular exemptions (CETA, 2017: Ch. 19 and Annexes 19-1–19-8).

Deeper integration would raise further questions concerning local-preference requirements, procurement programmes supporting strategic industries, and the application of security and public-interest exceptions. Achieving an appropriate balance between economic openness and national-security considerations would be particularly difficult in the defence industry, critical infrastructure, and strategic technologies. Associate membership could not automatically entail opening every procurement and support programme to businesses from the other party. The agreement would therefore need to establish the conditions of reciprocal access on a sector-by-sector basis, together with exemptions justified on security or public-interest grounds.

Managing Regulatory Divergence and Restoring a Level Playing Field

One of the most important institutional innovations of the UK agreement is that it provides a response not only to breaches of the obligations undertaken, but also to subsequent significant divergence between the parties' regulatory systems. Under Article 411 of the TCA, the parties may, subject to specified conditions, adopt rebalancing measures where substantial divergences in subsidy control, labour and social standards, environmental protection, or climate policy materially affect trade or investment between them. Such measures must be proportionate, and their application may be challenged through a specified arbitration procedure (European Union–United Kingdom, 2021: Art. 411; House of Commons Library, 2021).

The significance of this mechanism lies in its distinction between a breach of treaty obligations and the economic consequences of lawful regulatory divergence. One party may introduce new rules that significantly alter the conditions of competition between businesses without breaching the agreement. In such a case, the objective would not necessarily be to compel the party to amend its regulation, but rather to restore the balance of the parties' trade relationship.

This approach could also be applied to Canadian associate membership, particularly in areas where the parties did not undertake to align continuously with each other's legislation. If, for example, Canada introduced a substantial new support programme in a particular industry, or the European Union adopted considerably more stringent environmental requirements in that sector, the parties could assess the effects of those changes on reciprocal market access and the competitive position of their businesses.

Regulatory divergence alone could not, however, justify trade restrictions. Rebalancing measures should be available only where reliable evidence demonstrated that the regulatory difference had a material effect on trade or investment in the sector concerned. The agreement would therefore need to specify in advance the measures available, the criteria for assessing economic effects, the requirement of proportionality, and the avenues for legal redress.

In the Canadian arrangement, it would be particularly important to distinguish between dynamic legal alignment and mechanisms designed to maintain a level playing field. In areas where Canada undertook to incorporate relevant EU law on a continuing basis, divergence from the common rules should be addressed primarily under the provisions governing legal alignment and breaches of the agreement. In other sectors, the parties could retain their regulatory autonomy while undertaking to address significant distortions of competition through consultations, the coordination of the relevant rules, or, where necessary, proportionate rebalancing measures.



The Role of the Level Playing Field in a Canadian Association Model

Canada and the European Union could preserve the distinctive features of their economic and social policy systems while establishing common rules to prevent and address significant distortions of competition. The general provisions of an association agreement could define the fundamental principles governing cooperation on competition law, the transparency of state aid, the maintenance of labour and environmental standards, and cooperation on taxation and public procurement. The scope and stringency of the specific obligations could nevertheless be tailored to the degree of market access granted in each sector.

In areas of conventional trade cooperation, it might be sufficient to strengthen CETA's existing provisions, improve the transparency of subsidies, and broaden the opportunities for consultation concerning measures that distort competition. Sectors benefiting from more direct access to the single market would, however, require more stringent obligations extending to subsidy control, the continuous enforcement of common rules, and the settlement of disputes.

Maintaining a level playing field would impose obligations on both parties. Canada and the European Union would each undertake to consider the effects of their subsidy and regulatory measures on the other party's market. Effective implementation of these reciprocal commitments would require monitoring and dispute-settlement procedures capable of addressing significant distortions of competition while preserving the parties' regulatory autonomy.

Decision-Making, Supervision, and Dispute Settlement

The continuous incorporation of changes in EU legislation would raise questions concerning Canada's democratic decision-making autonomy and its participation in the formulation of common rules. Canada might be required to apply rules adopted by the EU institutions while holding no vote in either the Council or the European Parliament. Within the EEA, this problem is mitigated by consultation and opinion-giving arrangements that enable the participating countries to contribute to the development of rules that will subsequently apply to them while EU legislation is still being prepared. Experts from the EFTA States may participate in the Commission's preparatory work, expert groups, and committees, but they have no vote in the final EU legislative decision (EEA Agreement, Arts. 99–101; European Free Trade Association, 2026c).

Canada could similarly be granted access to draft EU legislation during its preparation, permitted to submit formal opinions, and represented by experts with consultative status in the relevant technical deliberations. Participation in shaping decisions is not, however, equivalent to participation in making them. Granting Canada an effective veto over EU legislation would alter the institutional balance between the Member States and the Union, whereas denying it any influence would weaken the domestic legitimacy of dynamic legal alignment in Canada.

The EEA's two-pillar system provides useful lessons for supervision. On the EU side, the European Commission and the Court of Justice of the European Union ensure compliance and uniform interpretation; on the EFTA side, corresponding functions are performed by the EFTA Surveillance Authority and the EFTA Court (European Free Trade Association, 2026d). The EU institutions therefore do not exercise general direct supervision over the EFTA States, while the legal effect of the common rules is preserved. Reproducing the entire EFTA pillar structure for Canada would be disproportionately complex. A combination of an independent Canadian compliance authority, a strong joint committee, and an arbitration tribunal could offer a simpler institutional arrangement.



The autonomy of EU law would nevertheless need to be preserved. Where a dispute required the interpretation of a concept of EU law, an external body could not establish an interpretation that differed from that of the Court of Justice of the European Union and was binding on the EU. One solution could be a mandatory reference procedure, or dispute-settlement rules requiring the arbitral tribunal to follow the Court's interpretation of EU law while retaining authority to determine the consequences arising under the agreement.

The consequences of regulatory divergence should correspond to the seriousness of the divergence and its effects on the functioning of the internal market. A delay in incorporating a digital product rule, for example, should not justify suspension of the entire trade agreement. Restricting the market preference concerned, adopting a temporary rebalancing measure, or imposing a targeted financial correction could provide a more proportionate response. Cross-suspension would be justified only where the breach was systemic or a sector-specific measure could not restore the balance.

The Financial and Implementation Costs of Single Market Access

In addition to establishing the institutional framework, the parties would need to determine how the association would be financed and how its implementation costs would be allocated. Applying common rules, maintaining alignment with legislative developments, and operating the supervisory system would impose ongoing costs on Canada, the European Union, and the businesses concerned. The economic benefits of market access would therefore need to be assessed alongside budgetary contributions, the costs of legal and administrative adaptation, and any constraints on regulatory autonomy.

There is no general rule under EU law requiring a third country to pay a predetermined fee for access to the single market. The EFTA States participating in the EEA contribute to the costs of integration in several ways: they finance the EU programmes in which they participate, maintain their own EFTA and EEA institutions, and support economic and social cohesion in Europe through separate financial mechanisms. Article 82 of the EEA Agreement provides the legal basis for financial contributions associated with participation in EU programmes, with the amount of the contribution linked to annual programme financing (European Free Trade Association, 2026e: n.p.).

The financial implications of Canadian access to the single market would comprise several distinct cost components:

- Direct budgetary contributions. Canada may already participate in EU programmes without being an EU Member State, as demonstrated by its association with Horizon Europe. Under a broader association, separate contribution formulas could apply to participation in Erasmus+, research, innovation, defence-industrial, digital, and other EU programmes. There would therefore be no need for a single, uniform "membership fee".
- Regulatory adaptation costs. The federal government and the provinces would need to amend legislation, administrative practices, databases, and authorisation and inspection systems. Businesses would likewise incur compliance and adjustment costs. These costs could, however, be partially offset by the elimination of duplicate certification procedures and the reduction of non-tariff barriers to trade.
- Institutional and administrative costs. Maintaining joint committees, supervisory mechanisms, dispute-settlement procedures, market surveillance, and processes for incorporating legislative updates would require a permanent administrative apparatus. Given Canada's federal structure, the provincial dimension of these arrangements would also be significant.



- Sovereignty-related or regulatory opportunity costs. This would be the most difficult component to quantify. If Ottawa and the provinces undertook to align with future EU legislation in specified fields, they would relinquish certain autonomous regulatory options. Such a commitment would be justified only if the expected benefits of improved market access, increased investment, and lower transaction costs exceeded the loss of regulatory autonomy (Graver, 2016: 811–821; Rosén–Sverdrup, 2025: 872–879).

Canada's likely financial contribution cannot currently be quantified because neither the sectors to be opened nor the range of EU programmes available to Canada, any potential cohesion contribution, or the extent of its legal-alignment obligations is yet known. A reliable cost estimate could therefore be produced only after the specific terms of the association agreement had been determined.

A Possible Structure for Modular Association

Of the options examined above, the most appropriate model for Canadian association appears to be a modular arrangement combining the flexibility of Swiss-style sectoral cooperation with institutional mechanisms for continuous legal alignment and supervision modelled on the EEA. Its legal basis could be provided by a framework agreement concluded under Article 217 TFEU. Although the framework would not make Canada an EU Member State in the constitutional sense, it could establish a form of associated economic status. CETA's trade achievements would be preserved, while separate protocols would open selected areas of the single market.

The initial stage of cooperation could cover fields in which the parties' regulatory approaches are already closely aligned and market opening could produce relatively rapid results: research, youth mobility, critical raw materials, energy, the defence industry, conformity assessment for industrial products, and digital cooperation. A second stage could expand professional mobility, public procurement, and the integration of selected services markets. Comprehensive financial passporting, the general free movement of persons, and deeper cooperation on food safety and sanitary and phytosanitary matters could be introduced only at a later stage and subject to compliance with specifically defined conditions.

Each module would need to define the applicable body of law, procedures for alignment with legislative developments, supervisory competences, dispute-settlement arrangements, and proportionate consequences for divergence from the agreed rules. During reviews conducted every three or five years, the parties could decide whether to extend cooperation to additional sectors. Gradual implementation would allow the development of the necessary legal and administrative arrangements to keep pace with the progressive opening of markets.

Budgetary contributions should be determined separately for each module. Canada could contribute to the financing of the EU programmes in which it participated, cover its share of the costs of operating the joint institutional framework, and make cohesion or strategic-investment contributions linked to broader market access. Under such a system, a single general membership fee would be less transparent than formulas tied to specific rights and programmes.

Conclusions

As of September 2026, Canadian associate membership remains a political initiative rather than a definitive legal category. The concept is nevertheless important because it highlights a gap in the EU's existing external relations framework concerning advanced, like-minded partners located outside Europe. A



conventional free trade agreement may deliver substantial market opening, but it does not overcome regulatory fragmentation. Full membership, by contrast, is neither legally nor politically realistic. The space between these alternatives is not empty, but the existing models were developed within a specifically European geographical, historical, and institutional context.

CETA already provides a solid foundation for further deepening economic cooperation between the European Union and Canada. The Agreement provides for the elimination of 99 per cent of tariff lines and extends to services, public procurement, investment, intellectual property protection, and regulatory cooperation. Nevertheless, both the European Union and Canada retain their autonomous legal orders and regulatory autonomy. Associate membership would represent substantive progress in areas where the parties moved beyond reciprocal trade preferences and established the conditions for participation in the single market through the application of common rules and continuous regulatory alignment. This transition could reduce non-tariff barriers, confer more direct rights in services markets, and facilitate greater mobility, but it would also require more stringent compliance and supervision.

The study's principal conclusion is that the possibilities for market opening are inseparable from the institutional and legal conditions governing cooperation. An agreement on associate membership would therefore need to define not only the extent of market access and the common rules to be applied, but also how the parties would respond to subsequent legislative developments, ensure compliance with their commitments, and address divergence from the agreed rules. Without clear arrangements on these matters, deeper cooperation would encounter significant constraints, while regulatory uncertainty could continue to impede the development of economic relations over the longer term.

Canada's close North American economic ties do not preclude the further deepening of cooperation with the European Union. Canada may participate simultaneously in several free trade areas, provided that the application of distinct rules of origin ensures the compatibility of the obligations arising under the respective agreements. Establishing a customs union, however, would substantially restrict Canada's autonomous tariff policy and could require the restructuring of its trade relations with the United States and Mexico. The compatibility of European and North American economic integration would therefore depend primarily on whether the parties could manage the difficulties arising from divergent regulatory requirements, coordinate their rules on state aid, ensure the uninterrupted functioning of supply chains, and establish appropriate mechanisms for addressing differences resulting from subsequent changes in their regulatory frameworks.

Agriculture, financial services, and the free movement of workers would be particularly sensitive areas of deeper integration. Divergent economic interests, regulatory systems, and social policy considerations could make comprehensive cooperation in these fields especially difficult. In addition to resolving economic conflicts of interest, the parties would need to coordinate financial supervision, social protection systems, and the distribution of competences between Canada's federal and provincial authorities. Such arrangements would extend far beyond the scope of a conventional trade agreement. By contrast, simplifying conformity assessment for industrial products and deepening cooperation in research, education, critical raw materials, energy, the digital economy, and the defence industry could provide favourable starting points. Initial measures could also include expanding employment and professional mobility opportunities for specified categories of professionals.

The association could be established through a framework agreement based on Article 217 TFEU, allowing the depth of cooperation to vary by sector. Building on CETA, the agreement would establish common rules governing dynamic legal alignment, participation in decision-shaping, supervision, and dispute settlement. Canadian experts could contribute to the preparation of rules applicable to Canada, but would not hold voting rights in the EU legislative process. Independent Canadian and EU authorities would



supervise compliance with the obligations undertaken. Where a party diverged from the common rules, the primary response could be to restrict the market preferences granted in the sector concerned.

The substance of associate membership would be determined not by its designation, but by the obligations undertaken and the market rights conferred. The depth of cooperation would depend on the sectors in which Canada agreed to maintain continuous alignment with EU rules and the corresponding degree of market access it received. By coordinating the regulatory, financial, and institutional conditions of cooperation, the parties could develop an association model that enabled Canada to integrate more closely with the European economy without relinquishing its North American trade relationships.

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