Beyond CETA: What EU "associate membership" actually means for Canadian business

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Recent political rhetoric suggesting Canada could become an "associate member" of the European Union has created market confusion. In this analysis, former federal trade lawyer and current BLG Senior Counsel Rambod Behboodi declutters the debate, clarifying that while EU membership is impossible, Canadian businesses have immediate opportunities to push beyond the baseline of CETA. By targeting regulatory blockages and strategic sectors like energy and critical minerals, Canadian exporters and investors can unlock significant transatlantic growth.

Last week, a new term entered into the Canadian trade, economic, and political lexicon: “associate member of the European Union.”

Never mind that there is no such status in the complex web of European Union external relations, and that all we have are three lines in a long “State of the Union” speech by the president of the European Commission; the term, and what it might imply, has since taken a life of its own.

So, let’s declutter the discussion.

We already have CETA, so what's the offer?

First things first: Canada will not become a member of the European Union. Not soon, not ever. This is because, to be eligible for membership under Article 49 of the Treaty on European Union, the applicant country must “be a European state.” EU membership, taxes, regulations, and immigration rules are not on the table.

But we already have a trade agreement, do we not? Yes, we do. The Canada-EU “Comprehensive Economic and Trade Agreement,” the CETA, is an ambitious free trade deal that was negotiated by the then-called Harper Government, and brought into force (provisionally) under Trudeau. And it’s working well. More than 98 per cent of trade between the two economies is tariff-free, and trade has increased 75 per cent over the past decade.

There are issues with the CETA: it has not yet been ratified by ten EU members, and so some institutional provisions are not yet in force. But is the CETA a “mess”? Hardly.

If we already have a successful free trade agreement, and membership is not the objective, what is all this about?

A free trade agreement is the lowest level of economic integration between sovereign states; the EU framework represents the highest, before you end up in a federal state. (It could be argued that, in some respects, Canadian provinces have more autonomy than EU member states, but that’s a discussion for another day.)

Between the two extremes, there are different gradations of alignment and liberalization with little or no impact on “sovereignty.” The author of this article has written about the various levels of regulatory liberalization in the financial services sector; the analysis holds for other sectors.

What CETA leaves on the table

Take EU regulations: it is true that they are complex and that, in some sectors, they could discourage Canadian business from seeking business opportunities in European countries. A free trade agreement does not tackle these “non-tariff barriers” in all cases. That’s why we enter into mutual recognition agreements, not just for goods, as exemplified by the Mutual Recognition Agreement between Canada and the European Union (EU), but also for services and professions, such as the EU-Canada Mutual Recognition Arrangement for Architects illustrates.

We could extend mutual recognition or enter into other arrangements to reduce or remove regulatory barriers in much the same way. The point is, a trade agreement is just the bare minimum, and there is much we can do to enhance and liberalize trade between Canada and the EU before we hit the ceiling.

That is not all. Closer attention to the European Parliament speeches indicates that the “associate member” gambit is both more and less ambitious than mere regulatory alignment/harmonization/recognition. Here is President von der Leyen:

> **We will create a tech alliance. We will integrate defence industrial bases. We will make the Arctic a flagship joint project. We will work on energy, critical minerals and batteries. On AI, quantum, cyber and economic security.**

The real opportunity: Energy, critical minerals and strategic investment

Take energy. For more than a decade, we have known about the EU’s strategic vulnerability in energy. For most of that time, energy diversification was not a priority. We have also known, for most of that time, that developing an Eastern terminal for LNG exports did not have full commercial support. Without reading too much into the speech, it is at least an opening for greater alignment of our export possibilities with the EU’s import needs.

What if the EU and Canada agreed to joint strategic *public* investment in EU-oriented energy export infrastructure? So it goes for critical minerals. And batteries. And data security.

None of this is certain: much remains to be worked out. And even the most active integration short of actual membership, which is not possible, is not going to override the basic facts of geography: the United States is and will remain our biggest market. The objective is not to *replace* that market, but to *open* new ones.

In that sense, the “associate member” offer is an opportunity, and not just for governments and policymakers and diplomats to travel and negotiate, but for the Canadian business community to identify:

- existing regulatory blockages in EU trade, to seek ways of reducing them;
- both private *and* public investment opportunities in high-profile sectors, to engage European interests; and
- ambitious and achievable market access objectives, in both goods and services, to have *options* when faced with U.S. tariffs or other barriers.

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Can Canada become an associate member of the EU?

No. To be eligible for any form of membership under the Treaty on European Union, the applicant must be a European state. EU membership, taxes and immigration rules are not on the table for Canada.

If membership isn't possible, what does the "associate member" rhetoric mean?

It signals an opening for deeper economic integration. A trade agreement like CETA is the baseline, but Canada and the EU can still pursue mutual recognition agreements, regulatory alignment, and joint strategic investments in sectors like energy and critical minerals.

How is CETA currently performing?

CETA is working well. More than 98 per cent of trade between Canada and the EU is tariff-free, and bilateral trade has increased by 75 per cent over the past decade.

What should Canadian businesses do now?

Businesses should actively identify remaining regulatory blockages in the EU, engage European interests in high-profile sectors like tech and energy, and set ambitious market access objectives to create options when facing U.S. trade barriers.

By

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