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Economic Diplomacy in the European Union

Economic Cooperation and Global Influence

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Master in,
International Studies

Supervisor:
PhD. Cátia Miriam da Silva Costa, Invited Assistant Professor,
ISCTE – Instituto Universitário de Lisboa

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SOCIOLOGIA
E POLÍTICAS PÚBLICAS

History Department

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Resumo

Nas últimas décadas a ordem global sofreu transformações significativas, impulsionadas pela globalização e pela emergência de novos poderes económicos, que conferiram à economia um papel preponderante como principal impulsionadora da influência política. Nomeadamente, a União Europeia (UE) consolidou-se como uma proeminente potência económica, posicionando-se como o maior bloco comercial mundial e, assim, exercendo considerável impacto na economia global. Ao longo da sua existência a UE desenvolveu uma estratégia diferenciadora de diplomacia económica. Esta dissertação analisa o conceito de diplomacia económica no contexto da União Europeia, explorando seu papel como ator-chave no contexto internacional. Com o objetivo de compreender as estratégias, objetivos e desafios na promoção da cooperação económica e na manutenção da sua influência global, esta pesquisa pretende estudar o quadro da diplomacia económica da UE, bem como o seu impacto nos Estados membros e na ordem económica global. Através de um processo de análise, esta dissertação pretende oferecer uma perspetiva sobre os esforços de diplomacia económica da UE e contribuir para uma compreensão mais profunda de seu papel na moldagem do cenário econômico global.

Palavras-Chave: Diplomacia Económica, União Europeia, Cooperação Económica, Influência Internacional, Relações Internacionais, Política Económica Externa

Abstract

The transformative shifts in the global order in the last decades, driven by globalisation processes and the emergence of new economic powers, have positioned the economy as the primary driver of political influence. Notably, the EU has emerged as an prominent global economic power, establishing itself as the largest trading block in the world, and therefore, exerts considerable influence in the global economy. Throughout the years the EU has evolved a distinctive economic diplomacy strategy and this dissertation delves into the concept of economic diplomacy within the context of the European Union (EU), exploring its role as a key actor in the international context. Aiming to comprehend the strategies, objectives, and challenges in promoting economic cooperation and enhancing its global influence, this research intends to study the framework of EU's economic diplomacy, its impact on member states, and in the international economic order. Through this exploration, the dissertation seeks to offer valuable insights on the EU's economic diplomacy efforts and contribute to a deeper understanding of its role in shaping the global economic landscape.

Key Words: Economic Diplomacy, European Union, Economic Cooperation, International Influence, International Relations, Foreign Economic Policy

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List of Abbreviations

AAs	Association Agreements
CAP	Common Agricultural Policy
CCP	Common Commercial Policy
CFSP	Common Foreign and Security Policy
CGEA	Commissioners' Group on External Action
DSB	Dispute Settlement Body
EC	European Community
ECB	European Central Bank
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEAS	European External Action Service
EEC	European Economic Community
EMU	European Monetary Union
EPAs	Export Promotion Agencies
EU	European Union
FAC	Foreign Affairs Council
FTAs	Free Trade Agreements
GATT	General Agreement on Tariffs and Trade
IGOs	Intergovernmental Organisations
IMF	International Monetary Fund
IOs	International Organizations
ITU	International Telecommunication Union
M&A	Mergers and Acquisitions
MEPs	Members of the European Parliament
NAFTA	North American Free Trade Agreement
NGOs	Non-Governmental Organisations
SEA	Single European Act
SMEs	Small and Medium-sized Enterprises
TFEU	Treaty on the Functioning of the European Union
TNCs	Transnational companies
TUE	Treaty on European Union
UN	United Nations
WTO	World Trade Organization

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Introduction

Theme, Purpose, Relevance

The concept of Economic Diplomacy emerged between the end of the 20th and the beginning of the 21st century, although its practice can be traced back to ancient times. Initially, economic diplomacy mainly focused on measures taken at the state's borders and influenced domestic policy. Over time, however, the policies shifted towards a global economic system with the involvement of numerous actors. After World War II, global economic diplomacy was predominantly shaped by the East-West rivalry, with governments as the main actors and only a limited number of countries having a significant impact on the global stage. However, the processes of globalisation in recent decades have led to stronger economic interdependencies and an increased relevance of economic diplomacy. Over the years, economic diplomacy has gradually evolved, driven by the increasing importance of the economy as a key source of political influence (Bouyala, 2017).
Economic diplomacy includes a wide range of economic engagements and tools, such as bilateral or multilateral trade agreements and sanctions, aimed at progressing the economic, political, and strategic goals of a country. It involves the use of diplomatic communication carried out by public officials, with the objective of achieving foreign policy goals without resorting to force or war. While economic diplomacy traditionally involved nation-states, the concept extends beyond them, as evidenced by the case of the European Union (EU), an unique economic and political union of 27 European countries. The EU holds considerable power in international trade affairs, making it the world's largest single market area, and utilises economic diplomacy to shape the international economic landscape, leveraging a diverse set of tools and strategies at its disposal.

The European Union (EU) is a significant player in the global economy, with a population of approximately 448.8 million people and a GDP per capita (U.S. dollars per capita) of 42.44 thousand dollars (IMF, 2024). As of August 2024, the EU's unemployment rate stood at 5.9%, reflecting a slight decline from the previous year's 6.0%. The Euro area, however, had a higher unemployment rate of 6.4%. In terms of international trade, the EU remains the largest global trading bloc. In July 2024, exports from the Euro area amounted to €252.0 billion, an increase of 10.2% compared to the previous year, while imports stood at €230.8 billion, up by 4%. The EU's major trade partners include China, the US, the United Kingdom, Switzerland,

and Turkey, according to Eurostat.
The EU also holds a strong position in global investment, ranking first in both inbound and outbound international investments. It serves as the top trading partner for 80 countries, accounting for 16% of global imports and exports (Eurostat, 2022). Despite slower projected growth, the EU remains one of the largest economies worldwide, following China and the United States. The EU's strategy in economic diplomacy revolves around promoting its economic interests, increasing exports, internationalising its companies, and attracting foreign investment. It actively engages in external economic relations and seeks to strengthen its position as a key player in the global economy. The EU's competencies in economic diplomacy are shared among its member states, with the EU institutions coordinating and representing the collective interests of its members on matters of trade, investment, and other economic issues. Despite facing various crises, such as the financial collapse, economic recession, migrant crisis, and Brexit, the EU remains committed to economic diplomacy.

Economic diplomacy has gained increasing relevance in the field of international relations as globalisation continues to shape the world economy, nations recognize the significance of economic cooperation and the potential benefits it offers. The European Union (EU), with its unique supranational structure and economic integration, serves as an intriguing case study for understanding economic diplomacy. The EU's economic diplomacy efforts have implications not only for its member states but also for its position in the global economic order. Exploring the concept of economic diplomacy within the EU context can provide valuable insights into the dynamics of regional economic cooperation and its impact on global affairs.

Framework: Research Objectives, Limitations and Time Frame

Understanding the dynamics of economic diplomacy within the EU is of significant academic and practical importance. This research contributes to the existing body of knowledge on economic diplomacy by providing a focused analysis of the EU's strategies, challenges, and impact. By examining the EU as a unique actor in economic diplomacy, this study enhances our understanding of the complexities involved in regional economic cooperation and its implications for global economic governance. The findings of this research can inform policymakers, diplomats, and practitioners in the EU and beyond, aiding in the development of effective economic diplomacy strategies and policies.

This dissertation aims to comprehensively analyse the role of the European Union (EU) in global economic diplomacy, with a focus on its strategies, initiatives, challenges, and impact. The primary objective is to examine how the EU facilitates economic growth for all member states. It investigates the strategies and initiatives undertaken by the EU in economic diplomacy, while also considering the perspectives of member states. Furthermore, this study identifies and analyses the challenges and obstacles faced by the EU in its economic diplomacy endeavours. It also assesses the impact of the EU's economic diplomacy on its global economic influence and its role in shaping the international economic order. Lastly, the dissertation explores future directions and prospects for EU economic diplomacy, providing insights into the EU's ongoing efforts in this domain.

This dissertation focuses specifically on economic diplomacy within the European Union. While it acknowledges the EU's broader diplomatic efforts, the primary emphasis is on economic aspects such as trade, investment, development assistance, and digital economy initiatives. The analysis covers both internal dynamics within the EU, including the perspectives of member states, as well as external dimensions concerning the EU's role in the global economic order. It is important to note that this study has certain limitations, including the availability and reliability of data, the ever-evolving nature of economic diplomacy, and the complexity of diplomatic processes.

This study focuses on economic diplomacy within the European Union (EU) and aims to provide a comprehensive understanding of its historical development and present trends. The time frame covered begins in the post-war period, following World War II, as this marked a significant turning point for European countries in recognizing the importance of economic cooperation for peace and prosperity. In addition to the historical context, this study also encompasses the present decade, allowing for an examination of contemporary developments in economic diplomacy within the EU. By including recent years, the research aims to analyse the current state of economic diplomacy, considering factors such as globalisation, evolving power dynamics, and emerging economic trends.

The study is guided by two central research questions:

1. How does the EU’s approach to economic diplomacy contribute to its resilience and influence in the global order?
2. What are the primary challenges and limitations facing the EU in developing a unified and effective economic diplomacy strategy?

Overall, this study provides a comprehensive analysis of economic diplomacy within the European Union, spanning from the post-war period to the present decade. By delving into the historical context and considering present trends, the research contributes to a deeper understanding of the EU's economic cooperation and global influence.

Methodology

The methodology for this study combines a comprehensive literature review and analysis of both academic and grey literature to provide a well-rounded examination of economic diplomacy within the European Union. A theoretical framework will be developed through a review of academic publications, reports, and policy documents to establish the current state of the art. This is complemented by the analysis of grey literature produced by the European Union, as the EU serves as the primary focus of the research, providing critical insights into its economic diplomacy strategies and initiatives.

In addition to the literature review, empirical evidence has been selected based on relevance and reliability to illustrate the EU’s economic diplomacy in action, offering insights into the implementation and impacts of these strategies. This analysis includes data on the evolution of economic diplomacy studies, key internal EU events providing historical context, and data on EU trade agreements. These data sources, including key data made available by the EU, were chosen for their ability to provide comprehensive, up-to-date information on the EU’s economic initiatives and their practical implications. By incorporating this empirical approach, the study aims to deepen the analysis and strengthen the research conclusions, ultimately offering a well-rounded perspective on the EU’s economic diplomacy initiatives. Although the study predominantly employs a qualitative methodology to explore the nuances of economic diplomacy, quantitative data and statistical analysis will be integrated where necessary to support key findings and provide additional depth intended to offer a comprehensive and multidimensional understanding of economic diplomacy as practised by the European Union.

Chapter 1: Literature Review - Economic Diplomacy

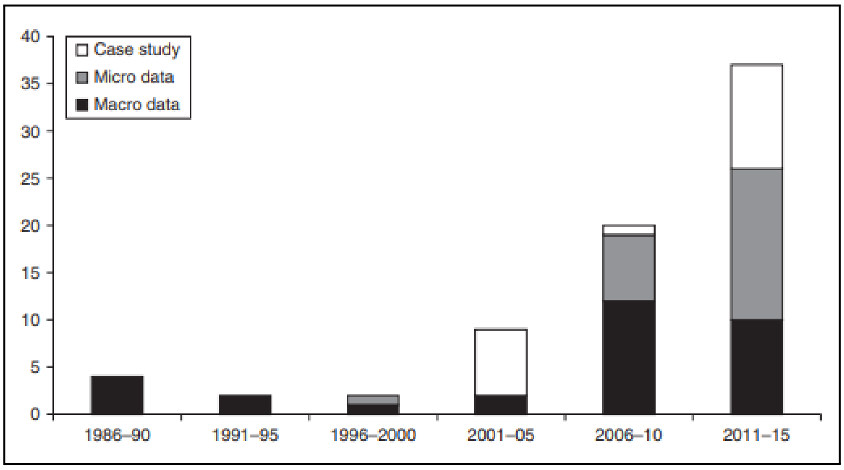
In our progressively interconnected global landscape, economic diplomacy has risen to prominence as an indispensable instrument for nations and regional alliances. It serves as a catalyst for fostering economic collaboration, broadening market reach, and amplifying global influence. This chapter explores the theoretical framework of economic diplomacy, delving into its definition, evolution, and historical context.

1.1. Evolution and Definition of Economic Diplomacy

1.1.1. Research on Economic diplomacy

Economic diplomacy has gained increasing acknowledgement within the field of international relations, as nations recognize the crucial role of economic instruments in achieving diplomatic objectives and advancing national interests. Although its practice can be traced back by states and state-like actors throughout history, economic diplomacy has started to gain significant scholarly attention in the late 20th and 21st centuries.

Figure 1 - Evolution of the number of qualitative and quantitative studies on economic diplomacy 1986–2015



Source: Introduction to the Research Handbook on Economic Diplomacy, Bergeijk and Moon

Economic diplomacy is a contemporary concept that has gained substantial presence in scientific literature within the past decade. As illustrated in Figure 1.1, Bergeijk and Moon's research confirms this tendency of increasing interest in economic diplomacy within scholars and how it is becoming a significant field of study.

Bergeijk and Moon advocate that globalisation has played a pivotal role in driving the increase of studies focused on economic diplomacy since it has stimulated economic diplomacy activities and the number of specialised economic diplomacy institutions. Cruz, Lederman and Zoratto (2018), mention that two-thirds of the world's were established in the late 1990s. The integration of former communist nations into the global economy and the rise of the Global South, particularly of China, has also defined this period.
Increasing openness leading to a greater engagement of international activities has enabled a wider access of data and it is reflected in the number of studies on Economic Diplomacy in the beginning of the millennium. It is worth noting that, according to Bergeijk and Moon's (2018) research, the development of research agendas involves the collective input of scholars with diverse academic backgrounds, including disciplines such as Business Economics, Accounting, Development Studies, International Economics, International Relations, Management Science, Peace Science, Conflict Studies, Political Science, and Public Finance. This further reinforces the notion that the research agenda for economic diplomacy is inherently characterised by its multidisciplinary nature.

1.1.2. Economic Diplomacy

In the contemporary geopolitical landscape, Economic Diplomacy has emerged as a pivotal instrument in the foreign policy and action of nations. The academic debate on economic diplomacy is a relatively recent development from the late 20th and 21st centuries but its actual practice can be identified since ancient times by states and state-like entities. The primary objective of Economic Diplomacy is to collaborate on the protection and promotion of the economic interests of each country in foreign nations. This is achieved by facilitating the internationalisation of internal economic actors.

> "*Economic Diplomacy consists of the total activities related to the methods and procedures in the international decision making process concerning the economic* cross *border activities in the real world*" - Pireva, Economic diplomacy as an international influence tool, pp 461-466, 2014.

The concept implies that the policy is executed externally by sovereign authorities, including entities beyond traditional nation-states, as exemplified by the European Union. Given the multifaceted nature of Economic Diplomacy, this following section will approach the different perspectives from various scholars, to construct a comprehensive definition of the topic.

According to Professor G. R. Berridge (2016)[1], Economic Diplomacy, at its core, involves specific processes that states employ "*to attain the objectives of their foreign policies without resorting to force, propaganda, or war.*". Traditionally, diplomacy employs communication tools used by public officials or private individuals guided by governmental direction. Therefore, economic diplomacy can be broadly defined as diplomatic processes focused on economic actions to achieve improved economic outcomes.

Anthony Wayne[2] described Economic Diplomacy as employing a diverse range of economic tools, including but not limited to sanctions and bilateral/multilateral trade agreements, "to advance a country's economic, political, and strategic goals". Wayne further details these economic tools, encompassing the use of sanctions for deterrence, international mobilisation for post-conflict recovery, and coalition-building for financial crisis management. Economic diplomacy involves advocacy for international rules against corruption, and also extends to building support for policies that enhance economies and generate employment.

Bayne and Woolcock[3] have offered a very extensive and complete definition of Economic Diplomacy. The authors highlight the multi-level nature of economic diplomacy, where countries strategically choose different levels (regional, plurilateral, or multilateral) for specific policy issues. Governments engage in 'forum shopping,' selecting the level where progress seems most promising. The diplomatic landscape involves a dynamic interaction between these levels, with agreements at one level impacting policymaking at others.

Bayne and Woolcock argue that, within the realm of economic diplomacy, governments aim to address three types of tensions: The first tension emerges between politics and economics, the second between international and domestic pressures, and the third tension between government and other actors, such as private business and NGOs. Bayne and Woolcock highlight the role of these actors, considering them significant participants in the field of economic diplomacy. Furthermore, the authors defined the instruments of "*new economic diplomac*y" and excluded processes focused on political and strategic goals. Instead they have introduced the term “*economic statecraft*" to classify these types of instruments highlighting the need for a separate study.

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[1] Berridge, G. (2016). Diplomacy - Theory and Practice (5th ed.). London: Palgrave Macmillan UK.
[2] Wayne, T. (2019). What Is Economic Diplomacy and How Does It Work?. The Foreign Service Journal, 23-27.
[3] Bayne, N., & Woolcock, S. (2007). The New Economic Diplomacy (2nd ed.). Aldershot: Ashgate.

The definition provided by Van Bergeijk and Moons[4], while strongly based on the definition of Bayne and Woolcock, highlights that economic policies aimed at attaining political and strategic objectives are integral components of economic diplomacy. The authors outline three distinctive features characterising economic diplomacy: Firstly, it involves the promotion or influence of international trade through political channels. Secondly, it involves employing economic tools to strengthen cooperation and foster bilateral/multilateral relations. Thirdly, it includes the initiatives aimed at constructing a conducive international environment that facilitates the achievement of these objectives.

In "Conceptualizing Economic Diplomacy"[5], Okano-Heijmans draws upon the definition by Lee and Hocking[6] characterising economic diplomacy as the "pursuit of economic security within an anarchic system". This underscores the state-centric realist framework through which economic diplomacy has been examined, emphasising the state's central role as the primary actor. The author further explains that when economic security is understood as involving the economic prosperity and political stability of a nation, the instruments used by governments range from those predominantly economic to those more political in character. In essence, economic diplomacy involves a "power-play end" and a "business end". The 'power-play end' involves instruments aligned with the strategic goals of a government of sovereign actors (governments), such as sanctions. On the other hand, the 'business end' entails cooperative tools that foster commercial exchange or secure commercial objectives, known as trade and investment promotion (commercial diplomacy).

In any perspective, economic diplomacy stands as an essential instrument of modern foreign policy. Economic diplomacy role, as defined and developed over time, extends beyond merely fostering favourable conditions for the private sector but also involves strategically aligning with evolving political, economic, and ethical landscapes on both international and national fronts. This multidimensional nature incorporates trade negotiations, investment promotion, financial diplomacy, and diverse economic agreements. Upon delving into the perspectives of multiple scholars, it becomes evident that economic diplomacy assumes a pivotal role in shaping the contemporary global landscape. This is particularly evident in the substantial

[4] Van Bergeijk, P., & Moons, S. (2019). Economic Diplomacy and Economic Security. In C. Guapo Costa, New Frontiers for Economic Diplomacy (1st ed., pp. 37-54). Lisboa: Instituto Superior de Ciéncias Sociais e Politicas.
[5] Okano-Heijmans, M. (2011). Conceptualising Economic Diplomacy:The Crossroads of International Relations, Economics, IPE and Diplomatic Studies. The Hague Journal Of Diplomacy, 6(1-2), 7-36.
[6] Lee, Donna and Hocking, Brian (2010) Economic Diplomacy. In: The International Studies Encyclopedia. Wiley-Blackwell, Chichester, pp. 1216-1227.

influence that economic relations wield over political dynamics and the structure of the international order. The complex nature of the international system, marked by dynamic actors and intricate relationships, contributes to the complexity inherent to Economic Diplomacy.

For this study, based on these authors' perspectives, economic diplomacy will be understood as the practice through which sovereign states and supranational entities, such as the European Union, use a variety of economic tools, ranging from sanctions and trade agreements to cooperative commercial strategies, to achieve both economic and strategic foreign policy objectives. It operates on multiple levels (regional, plurilateral, multilateral) and balances political, economic, and security interests. Economic diplomacy involves a dynamic interaction between state and non-state actors, including businesses and NGOs, and addresses tensions between international and domestic demands, aiming to foster international trade, promote economic cooperation, and secure strategic advantages.

1.1.3. Historical Context of Economic Diplomacy

Trade played a crucial role in the emergence of diplomacy, as it required negotiation and trust-building between different groups. Early examples of economic diplomacy in Europe include commercial exchanges between neighbouring tribes and cities in Ancient Greece, which contributed to the growth of diplomatic institutions, and the establishment of resident missions by European consulates around the Mediterranean, rooted in international trade. Conflicts between local officials and sailors were common during Mediterranean trade, often due to cultural differences and competition between ship-owners. To address these issues, consuls acted as representatives for merchants and local authorities, establishing the practice of permanent representation in foreign ports. Over time, this system evolved, and by the late 15th century, consulates transformed into diplomatic missions, laying the foundation for the modern concept of embassies, with the first examples appearing in northern Italy. In certain cases, major trading companies, supported by their sovereigns, established embassies, appointing and guiding ambassadors. By the early 18th century, these embassies came under full state control as they negotiated commercial treaties.

In the late 19th century, global competition for markets and foreign concessions, including mining, oil drilling, and railways, made commercial diplomacy notably important. Britain, France, Germany, and the rising USA States notably expanded their global investments and diplomats needed to engage in these projects, especially when they were seen as beneficial to political and strategic goals (examples: the Suez Canal[7] and the Berlin–Baghdad Railway[8]). Diplomatic missions help their home citizens to invest on favourable terms and later protect these investments from issues like violence, contract breaches, and unfriendly laws. This protective role led to the legal concept of diplomatic protection[9].

Throughout the 20th century, Economic Diplomacy underwent transformative shifts, notably influenced by major global events. Starting with the First World War from 1914 to 1918, its ending “opened new channels and modes of diplomacy. New diplomatic procedures consolidated and initiated by the League of Nations[10] included multilateral diplomacy, public debates, international parliamentary procedures, and collective decision-making” (Cooper et al., 2013:5). The League aimed to prevent and resolve disputes between nations-states to avoid another catastrophic war like World War I. Established in 1918, its main goal was to identify and address threats to peace, settling disputes, and imposing sanctions on violators of international agreements. Despite this, a significant crisis unfolded in 1929 with the Great Depression[11], triggered partly by pre-war trade protectionism. Diplomats faced challenges in creating economic and political consensus. The rise of dictatorships in Europe set the stage for the Second World War, which began in 1939 when Nazi Germany attacked Poland on September 1st. This deadliest and largest war of modern history lasted until 1945. Although there was a desire to stabilise global relations, another significant crisis occurred in 1929 with the onset of the Great Depression. Diplomats struggled to forge an economic and political consensus, and the rise of dictatorship regimes in Europe set the stage for the Second World War. It began in 1939 when Nazi Germany attacked Poland on September 1st and endured for six years until 1945, remaining the deadliest and largest war in modern history.

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[7] The Suez Canal is a strategic artificial waterway in Egypt connecting the Mediterranean Sea to the Red Sea. It allows ships to travel between Europe and South and East Asia and significantly shortens maritime routes, which have been crucial for global trade and transportation since its completion in 1869.

[8] The Berlin–Baghdad Railway was a major infrastructure project planned by the German Empire. It aimed to connect Berlin to Baghdad through a railway network. The project was seen as a strategic and economic move, providing Germany with a direct route to the Middle East. However, due to geopolitical tensions and the outbreak of World War I, the railway was never completed as envisioned.

[9] Diplomatic protection is a legal concept where a country safeguards the rights and interests of its citizens abroad. It involves diplomatic intervention to address issues such as violence, breach of contract, or unfair treatment faced by its nationals in a foreign jurisdiction.

[10] The League of Nations was an intergovernmental organisation founded in 1920 following the First World War. It aimed to promote international cooperation, prevent conflicts, and provide a forum for diplomatic dialogue. However, its effectiveness was limited, and it was eventually replaced by the United Nations in 1945.

[11] The Great Depression was a severe worldwide economic downturn during the 1930s. It originated with the 1929 stock market crash in the United States and had profound social and political impacts. The effects of the Great Depression lasted for many years and contributed to the economic conditions that preceded World War II and is considered one of the most challenging periods in modern economic history.

> "*The end of World War II set the stage for dramatic changes in the world – politically, economically, and culturally... On the other hand, in the developing world whether newly emerging states from ex-colonies or long independent countries nationalism in all its forms spread and intensified. In these developing countries, governments resorted to a multitude of controls, regularizations, and promotional policies that supported state managed industrialization and restricted international trade and investment.*" - Feigenbaum, Globalization and Cultural Diplomacy, 2003

The end of World War II along with economic development prompted the establishment of several enduring international organisations (IOs), some of which remain active today. According to Cooper's handbook of modern diplomacy (2013), the proliferation of IOs surged from 37 in 1909 to 123 in 1953, subsequently reaching approximately 7,000 by the year 2000. These numerical milestones offer a distinct portrayal of the evolving landscape of international governance. Among the most important organisations created on the post-second world war we can emphasise:

United Nations: The United Nations (UN) is an international organisation founded on October 24, 1945, after the Second World War by 51 countries committed to maintaining international peace and security, developing friendly relations among nations, and promoting social progress, better living standards, and human rights. Today, the UN has 193 member states and plays a central role in addressing global challenges, including conflict resolution, humanitarian assistance, and sustainable development;

International Monetary Fund: The International Monetary Fund (IMF) is a global financial institution established in 1944. Currently with 190 member countries, the IMF works to facilitate the stability of the international monetary system by providing policy advice, financial and technical assistance to its member countries. The organisation's primary goal is to prevent and address financial crises,promote international monetary cooperation, fostering economic stability and sustainable growth;

General Agreement on Trade and Tariffs: Established in 1947, the General Agreement on Tariffs and Trade (GATT) was a pivotal multilateral agreement designed to oversee international trade and diminish trade barriers. Its goals included fostering economic cooperation, eradicating discriminatory trade practices, and facilitating negotiations among member nations. GATT played a vital role in promoting global trade, laying the groundwork for the modern international trading system. Eventually, in 1995, it evolved into the World Trade Organization (WTO).

European Coal and Steel Community: The ECSC was established by the Treaty of Paris in 1951. It was one of the foundational steps toward European integration and cooperation and it aimed to integrate the coal and steel industries of its member countries to prevent the reemergence of war in Europe. The ECSC was a significant precursor to the broader European Economic Community (EEC) and the European Union (EU), as it set the stage for further economic and political cooperation among European nations.

Despite the establishment of several mechanisms and institutions aimed at promoting peace, equality and economic development, this period also witnessed a major global event. As observed by Bayne and Woolcook, Economic Diplomacy after the II world war "*was dominated by permanent officials from the governments of a limited number of countries… shaped by the constraint of East-West rivalry*". This tension led to another war during the 20th century named the Cold War.It was a period of intense geopolitical tension and rivalry between the United States and its NATO[12] allies on one side, and the Soviet Union[13] and the Warsaw Pact[14] nations on the other. Despite the absence of direct military confrontation, it was characterised by ideological, political, and economic competition, with both superpowers competing for global influence. The Second half of the twentieth century brought turbulent changes to economic diplomacy, reshaping its activities and mechanisms.
Later in the 20th century, another major event took place. The end of the Cold War symbolised by the fall of the Berlin wall[15] (1989), marked a transformative moment in global

[12] The North Atlantic Treaty Organization (NATO) is a military alliance formed in 1949, including countries from North America and Europe. Its primary purpose is collective defence with members committed to mutual defence in response to an attack by any external party. NATO played a crucial role during the Cold War and remains a key player in global security.

[13] The Soviet Union, officially known as the Union of Soviet Socialist Republics (USSR), was a socialist state that existed from 1922 to 1991. It was a federation of multiple republics, with Russia being the largest and most influential among them. The Soviet Union was characterised by a single-party rule under the Communist Party, a planned economy, and a significant role in global geopolitics, especially during the Cold War. It dissolved in 1991, leading to the emergence of independent successor states.

[14] The Warsaw Pact was a political and military alliance formed in 1955 among the Soviet Union and several Eastern Bloc socialist republics of Central and Eastern Europe during the Cold War. The pact was established as a response to the integration of West Germany into NATO. The member states of the Warsaw Pact pledged mutual defence and cooperation. The alliance dissolved in 1991, following the end of the Cold War.

[15] The Fall of the Berlin Wall on November 9, 1989, marked a historic moment that symbolised the end of the Cold War. The wall had physically and ideologically divided East and West Berlin since 1961, and became a

history and Globalization gained momentum. The dissolution of the Soviet Union and the easing of geopolitical tensions opened the door to a new era of Economic Diplomacy. This event set the stage for a complex and dynamic era, where ideas, goods, and information flowed across borders at an unprecedented rate, defining the era of Globalization.

The contrast between the evolution of Economic Diplomacy before the Cold War's conclusion and its post-1989 perspective following the fall of the Berlin Wall is worthy of recognition. This new Era introduced new dynamics and participants into the field of Economic Diplomacy. These new dynamics have established a global context where prosperity is the primary focus for states worldwide. This shift began to shape Economic Diplomacy into the form we recognize today.

Among many other factors, globalisation has restructured the organisation of international economic relationships worldwide, impacting economic, social, and political aspects of societies. It involves intricate interconnectivities and interdependencies, with numerous actors striving to influence these relationships. These actors assert competing interests in resources, markets, and legitimacy, engaging in activities traditionally associated with the domain of diplomacy.[16]

> "*Globalisation is not a phenomenon. It is not just some passing trend. Today it is an overarching international system shaping the domestic politics and foreign relations to virtually every country, and we need to understand it as such.*" - Thomas Friedman, The Lexus and the Olive Tree: Understanding Globalisation, pp 7, 2000.

The widespread influence of globalisation on Economic Diplomacy, as observed by Bayne (2017)[17], has led to significant transformations:

The range of Economic Diplomacy has greatly increased, with new subjects becoming active and often evoking strong public concern. In a more informed world, the range of issues to address has considerably extended. From global concerns such as climate change to discussions about companies like Microsoft, Google, or Twitter, and emerging cultural

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symbol of the division between communist and capitalist blocs. It was a symbolic and tangible manifestation of the changing political dynamics and the eventual collapse of the communist regimes in Eastern Europe.

[16] Saner, R. & You, L. 2003. International economic diplomacy: mutations in post-modern times. Netherlands Institute of International Relations, 84: 1-37.

[17] Bayne, N. & Woolcook S. 2017. The new economic diplomacy, Decision-making and negotiation in international economic relations (4th ed.). Abingdon: Routledge

phenomena that spread faster than ever before. This range is boundless and continuously evolving, reflecting the progression of societies and the constant emergence of new challenges. Economic Diplomacy has deeply penetrated domestic policies, involving a multitude of actors inside and outside the government. For instance, EU member states acknowledged the vital importance of strengthening Economic Diplomacy to enhance their competitive position in the global market. Furthermore, the relative power and resources of governments have diminished, leading them to often seek to achieve more with fewer resources. Regional organisations and countries recognized that it was essential to develop domestic policies embracing key economic, political, and business objectives. Economy, politics, and business, which were once more divergent, are now intricately connected in the contemporary global market.

Developing and ex-communist countries, once part of a bipolar world order, have progressively integrated into the global capitalist system, requiring international institutions to address the needs of their entire membership. Between the late 1950s and mid-1960s, the era of decolonization reached its peak, giving rise to numerous new independent states, especially in underdeveloped regions. Additionally, the dissolution of the Soviet Union further expanded the number of actors in the global economy. After this period, countries were advised to establish embassies in many of the newly independent states, driven more by a sense of solidarity than a substantive economic relationship.

The expansion of globalisation, coupled with intensified international economic activities, has compelled countries to engage in multifaceted global cooperation. The emergence of regional political and trading organisations has significantly transformed Economic Diplomacy. This evolving landscape has become markedly complex, with an escalating range of issues and actors. In essence, globalisation has fundamentally reshaped the field of Economic Diplomacy, ushering in a new era marked by intricate global interconnections and a dynamic interaction of diverse diplomatic forces.

Chapter 2: European Union Origin and Contexts

This chapter explores the intricate landscape of economic diplomacy within the European context, navigating the decision-making and negotiation dynamics of external economic policies, as the EU evolves into a distinct international actor. Rooted in historical contexts, it seeks to unravel the internal decision-making processes shaping EU policies and their impact on international negotiations. Nevertheless, member states' roles are duly considered. This research reveals the nuanced evolution of European economic diplomacy.

2.1. Historical Context of Economic Diplomacy in the EU

During the 17th century, Europe conceived an important model of political organisation — the nation-state[18] — an innovative concept that would profoundly shape the trajectory of political structures. Although the nation-state concept has its roots in the Enlightenment, it was not until the 19th century that it gained considerable political significance. Within the framework of a nation-state, the government assumes the role of representing and embodying the nation. Typically, a nation-state is characterised by a centralised system of governance and a unified legal framework that is universally applicable to all citizens within its territorial boundaries. By the end of the 19th century, it emerged as the predominant political structure, displacing empires, city-states, and feudal systems.

Examining European historical diplomatic events, the summits and peace conferences of the 17th century, particularly the Peace of Westphalia[19], stand out as a paramount example of multilateral diplomacy in Europe. These diplomatic initiatives were instrumental in establishing peace in Europe after the tumultuous Thirty Years' War[20]. The 19th century would

[18] According to Koch (2014), The concept of the nation-state emerged in late 17th and early 18th-century Europe, influenced by the Enlightenment's notion of the Reason of the State. At its core, the nation-state provides individuals with a psychological sense of security and identity, offering certainty and civilizational reference. This political entity is characterised by an ideology, a legal framework, the imposition of sovereignty over a specific population within defined borders, a distinct currency, and national armed forces.

[19] According to Tischer (2002), the Peace of Westphalia in 1648, concluded in Münster, marked the conclusion of the Thirty Years' War, a multifaceted conflict involving the Holy Roman Empire's constitution, religious disparities, and the broader European state system. Symbolising comprehensive resolution, it fostered acceptance between Catholics and Protestants. Acknowledged as a milestone toward tolerance and secularisation, the peace also strengthened the imperial Estates, mitigating perceived Habsburg ambitions for a "universal monarchy." The Peace of Westphalia significantly shaped German and international history, spurring debates on the "Westphalian System" in subsequent centuries.

[20] According to Staiano-Daniels (2011), from 1618 to 1648, recognized as "The Thirty Years War," this war is considered one of the most devastating conflicts globally, primarily unfolded in central Europe but drew in participants from Ireland to Muscovy, spanning west to east, and from Norway to Italy, encompassing north to south. In relation to the contemporary population, it stands out as potentially more lethal than any previous or subsequent war in western or central Europe.

witness significant international diplomatic assemblies, with the most notable being the Congress of Vienna[21] in 1815, the Treaty of Paris[22] in 1856, and The Berlin Conference of 1884–1885[23]. Subsequently, the pursuit of peace, the balance of power among European nations, the impacts of the industrial revolution, advancements in military technology, improved communication, and economic interdependencies created conditions for major diplomatic assemblies. While informal, these diplomatic gatherings played a crucial role in shaping the foundation of multilateral diplomacy in Europe.

During the 20th century, a pivotal figure in the shaping of post-war Europe, Jean Monnet[24], employed a unique approach by allowing the fear of conflict to guide European unity. Embracing a deliberate vagueness in objectives to accommodate diverse aspirations, Monnet's vision, though lacking a concrete and well-defined blueprint, served as both the strength and weakness of the European Union, particularly in decision-making. Monnet's key principle involved intentionally avoiding final determinations and definitions that could compromise a future characterised by autonomous cooperation among nations. This approach acknowledged the distinct roots and singularities of each nation.

The Schuman Declaration, adopted by the French and the Germans to inaugurate the European project in 1950, was significantly shaped by Monnet's perspective. According to Leonard (2005)[25] and other scholars, the most potent element of Monnet's vision was not an attempt to abolish the nation-state or nationalism but a strategic transformation of their nature. This approach allowed for the emergence of an organised European society from diverse

[21] The Congress of Vienna, convened in 1814–15 to restructure Europe following the Napoleonic Wars, started in September 1814, concluding with its "Final Act" in June 1815.

[22] The Treaty of Paris, 1856, ended the Crimean War, involving Russia, France, Great Britain, Sardinia-Piedmont, and Turkey. Primarily focused on safeguarding Ottoman Turkey from Russian aggression, the treaty emphasised the independence and territorial integrity of Turkey. It mandated Russia to cede Bessarabia to Moldavia, which, along with Wallachia, became autonomous states under Ottoman suzerainty, eventually forming Romania. The Black Sea was demilitarised, prohibiting warships, while the Danube was opened to international shipping.

[23] The Berlin Conference of 1884–1885, also known as the Berlin West Africa Conference, was a crucial event where major European powers negotiated territorial claims in Africa amid a scramble for resources and markets. Tensions, particularly between Britain and France in West Africa, prompted German Chancellor Otto von Bismarck to convene the conference. Key nations, including Great Britain, France, Germany, Portugal, and King Leopold II of Belgium, formalised their claims and established a framework for future negotiations, all without African input. Although the conference did not initiate colonisation, it legitimised and intensified European claims across the continent.

[24] Jean Monnet (born November 9, 1888, Cognac, France—died March 16, 1979, Houjarray) was a French political economist and diplomat renowned for leading extensive economic planning in Western Europe post-World War II. Monnet vision played a crucial role in formulating the Schuman Declaration, or Schuman Plan. Regarded by many as the architect of the European Economic Community, he was pivotal in fostering European unity.

[25] Leonard. (2005). Why Europe Will Run the 21st Century. PublicAffairs.

national interests. In this context of European unity, the Treaty of Rome[26] (1957) was based on two fundamental ideas: the political will to construct a common market reflecting economic integration and the liberal connotation of markets. Subsequent milestones like the 1986 Single European Act (SEA) aimed to address weaknesses in the common market, enhance its productive instruments, and foster flexibility in the international division of labour. The Treaty on European Union (TUE) of 1986 aimed to fill gaps in the common market, fostering economies of scale and encouraging competition.

The 1990s, acknowledged by the EU itself, as an Era of a profound transformation toward a "borderless union". This pivotal decade saw the ratification of two important treaties — the Treaty on European Union (Maastricht Treaty) in 1993 and the Treaty of Amsterdam in 1999. The EU welcomed 3 new members: Austria, Finland, and Sweden, expanding its membership to 15 countries and covering most of Western Europe. The forthcoming table outlines some of the key internal events in Europe during this period:

Table 1: Economic Diplomacy in the European Union: Key Internal Events (1990-99)

Date	Event	Description
7 February 1992	**Maastricht Treaty**	The treaty, in effect from November 1 1993, emphasising cooperation on various levels, marked a significant step in establishing the EU. It granted EU citizenship to individuals from member states and allowed participation in local and European Parliament elections. The treaty laid the foundation for the euro, established a central banking system, and committed member states to common foreign and security policies.
1 January 1993	**Launch of the single market**	Since 1986, numerous laws have been created to address diverse aspects such as tax policy, business regulations, and professional qualifications, aiming to dismantle barriers and foster open frontiers. Despite these advancements, certain services faced delays in achieving free movement.The establishment of the single market in the EU introduced four fundamental freedoms: The free movement of people, goods, services, and money.

[26] The Treaty of Rome, signed on March 25, 1957, established the European Economic Community (EEC) among Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands. This treaty, integral to the formation of the European Union (EU) in 1993, laid the foundation for a common market and customs union and it played a central role in EU integration. The subsequent restructuring in 1993 saw the EEC renamed as the European Community (EC), continuing as a core document within the EU. The Lisbon Treaty's implementation in 2009 led to the formal renaming of the Treaty of Rome as the Treaty on the Functioning of the European Union, marking a significant phase in European integration.

1 January 1994	**European Economic Area**	The implementation of the EEA agreement comes into effect, expanding the scope of the single market. Currently, the EEA facilitates the free movement of people, goods, services, and capital across its 30 countries (EU-27 plus Iceland, Liechtenstein, and Norway). Switzerland, while not a part of the EEA, still has access to the single market.
26 March 1995	**Schengen Agreement**	The Schengen Agreement took practical effect, starting with seven countries: Belgium, France, Germany, Luxembourg, the Netherlands, Portugal, and Spain. This allowed unrestricted travel between these nations without passport controls at the borders. As of 2021, the passport-free Schengen area has expanded to include 26 countries, including Iceland, Liechtenstein, Norway, and Switzerland.
2 October 1997	**Treaty of Amsterdam**	Signed in 1997, was a pivotal agreement that aimed to enhance the efficiency and democratic legitimacy of EU institutions, optimise decision-making processes, and expand the scope of EU activities to address emerging challenges. The treaty built on the achievements of the Maastricht Treaty, providing plans to reform EU institutions, strengthen Europe's global presence, and allocate more resources to employment and citizens' rights. The treaty entered into force on 1 May 1999, marking a significant step in the ongoing evolution of European integration.
1 January 1999	**The Euro €**	The Euro currency was introduced, marking a significant step toward European economic integration. Initially adopted by 11 EU countries. The Euro aimed to simplify financial transactions and promote economic unity among participating nations, fostering a shared monetary identity within the Eurozone. Euro coins and banknotes entered circulation in 2002.

Source: European Union. (n.d.). History of the European Union

In the following decade, from 2000 to 2009, the European Union witnessed a "significant expansion". A pivotal moment during this period was the adoption of the euro, a new currency embraced by millions of Europeans. Simultaneously, international terrorism emerged as a prominent security concern, catalysing increased collaboration among nations to address crime and security challenges. Notably, the historical divide between Eastern and Western Europe dissipated as ten new countries joined the EU in 2004, followed by Bulgaria and Romania in 2007. The Treaty of Lisbon introduced modern institutions and more efficient working methods. However, the end of this decade was marked by a profound global financial crisis that unfolded in 2008, leaving an enduring impact on the world economy. The forthcoming table outlines some of the key internal events in Europe during this period:

Table 2: Economic Diplomacy in the European Union: Key Internal Events (2000-2009)

Date	Event	Description
26 February 2001	**Treaty of Nice**	The Treaty of Nice, reformed the institutional structure of the EU to meet the challenges of new enlargement. This reform, enhancing Parliament's legislative powers and extending qualified-majority voting, was crucial to ensure efficient functioning. The Treaty of Nice, coming into force in 2003, marked a significant step toward a more robust and adaptable European Union.
1 May 2004 & 1 January 2007	**12 New Member states**	In 2004, Cyprus, Malta, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia, joined the EU. Later in 2007, Bulgaria and Romania united, making the total number of 27 Member States. These inclusion not only expanded the geographical reach but also symbolised a reunification after decades of political and ideological differences, now sharing common values, commitment to peace and cooperation.
29 May - 1 June 2005	**EU constitution**	In 2005, the European Union proposed the EU Constitution that aimed to improve processes, enhance democratic governance, and clarify the distribution of powers between EU institutions. However, it faced challenges since only 25 countries signed it, as referendums in France and the Netherlands resulted in rejection.
13 December 2007	**Lisbon Treaty**	The Treaty of Lisbon, signed in 2007 and in force since December 2009. The 27 EU countries signed the Treaty of Lisbon, and it aimed to improve democratic legitimacy, efficiency, transparency and strengthen the EU's role in global affairs to tackle global challenges such as climate change, security and sustainable development. The treaty introduced institutional changes, including a permanent President of the European Council and a High Representative for Foreign Affairs.
September 2008	**Global economic crisis**	In 2008, a severe financial crisis hit the global economy. Triggered by the collapse of major financial institutions, it led to a recession, widespread unemployment, and economic instability. The threat to stability was multifaceted, including not only economic aspects but also social and political dimensions impacting profoundly the EU.

Source: European Union. (n.d.). History of the European Union

From 2010 to 2019, Europe faced a "challenging decade." The global economic crisis severely impacted the EU and stability among member states. Amidst this turmoil, the European Union received the Nobel Peace Prize in 2012 for its efforts in fostering peace and unity. Concurrently, conflicts in various nations resulted in a significant influx of refugees seeking shelter in Europe, challenging the EU to balance welfare and human rights for refugees while managing political tensions among member states. Climate change emerged as a critical concern, prompting leaders to commit to reducing harmful emissions. The accession of Croatia as the 28th member in 2013 further expanded the union, but the EU faced a historical setback in 2016 when the United Kingdom voted to exit through a referendum.

The early years of the current decade were profoundly impacted by the Covid-19 pandemic, unleashing a public health crisis and economic deceleration. The pandemic prompted concerted efforts from the EU and its member nations collaborating to fortify healthcare systems, control the virus's propagation, and ensure widespread access to vaccines. In a historic move, the EU endorsed the largest-ever stimulus package drawn from the EU budget. A temporary instrument designed to boost recovery after a post-COVID-19 Europe, rooted in a commitment to a green and digital recovery, aligning with the EU's overarching goal of achieving climate neutrality by 2050. However, the geopolitical landscape faced a significant shift when Russia invaded Ukraine in February 2022. The forthcoming table outlines some of the key internal events in Europe during this period:

Table 3: Economic Diplomacy in the European Union: Key Events (2020-Today)

Date	Event	Description
January 2020	Covid-19 Pandemic	In 2019, the emergence of the COVID-19 pandemic pushed Europe into a challenging period that triggered a major public health emergency and economic slowdown. European nations collaborated to bolster healthcare systems, contain the virus's spread, and secure vaccines. Later, EU leaders, recognizing the urgency after the pandemic, endorsed the largest-ever stimulus package financed from the EU budget, with a dedicated focus on a green and digital recovery. This initiative aligned with the EU's overarching goal of achieving climate neutrality by 2050.
April 2021	Conference on the Future of Europe	In an unprecedented initiative, the EU launched the year-long Conference on the Future of Europe, running from April 2021 to May 2022. This exercise in participatory democracy aimed to empower EU citizens to actively shape the future of the Union through a series of citizen-led debates and discussions, facilitated by an innovative Multilingual Digital Platform. This platform, accessible to every European, facilitated the sharing of ideas, fostering engagement through both national panels and European Citizens' Panels. With over 5 million unique visitors and more than 700,000 event participants, the Conference successfully established a public forum for open, inclusive, and transparent debates, addressing key priorities and challenges faced by the EU.
February 2022	Russia invades Ukraine	In a significant turn of events in 2022, Russia invaded Ukraine, creating a geopolitical crisis that reverberated across Europe. The EU responded with a unified stance, condemning the invasion and implementing sanctions against Russia. The conflict brought forth complex diplomatic challenges for the EU as it navigated efforts to address the humanitarian impact, economic repercussions, and sought a peaceful resolution to the crisis.

Source: European Union. (n.d.). History of the European Union

2.2. European Union Organisation and Structure

To delve into the economic diplomacy of the European Union, it's important to establish a foundational understanding of the EU itself. This entails a comprehensive examination of the organisation, its intricate structure and the methods for policy making.
There is a consensus among scholars that the EU is a distinctive “sui generis” organisation. As explained by the author Marek Hlavac (2010), the EU “is less than a state, but more than an international organisation”. While the EU has considerable influence in certain domains like competition policy and international trade, it remains limited in areas such as security, justice, tax, or redistribution policies, which predominantly lie within the scope of its Member States' governments. Notably, the EU's supranational elements, especially the supremacy of EU laws over those of individual Member States, set it apart from traditional international organisations like the United Nations or the World Trade Organization. The EU's distinctiveness lies in its 'in-between' nature, a characteristic that has evolved over time shaping its structure, policy making and historical trajectory.

Hix and Hoyland (2011), among other scholars, defined the European Union as a political system using the framework's by Almond (1956) and Easton (1957). According to the authors the EU embodies all the following characteristics that define a political system:

1. A well-established and defined group of institutions for collective decision-making and enforcing rules that govern relations within and between these institutions.
2. Citizens and social groups aim to express their political ambitions through the political system, either directly or via intermediary organisations like interest groups and political parties.
3. Political decisions in the system significantly influence how economic resources are distributed and allocate social and political values across the entire system.
4. There is an ongoing interaction between these political outcomes, emerging demands on the system, subsequent decisions, and so forth.

As mentioned before, the European Union’s institutional framework is unique and continuously evolving. Distributed throughout the EU, the 7 European institutions and over 30 decentralised agencies and bodies, collaborate to address the shared interests of the EU and its people. Each of these entities play a defined role, ranging from the development of EU laws and policy-making in areas such as health, medicine, transport, and the environment.

This dynamic network has evolved over time to effectively navigate the complexities of governance within the European Union.

The founding treaties of the European Union, — the Treaty on the Functioning of the European Union (1957) and the Treaty on European Union (1992)— delineated the powers, responsibilities, and procedures of the EU's institutions. Later, the Lisbon Treaty (2007) introduced key amendments and additions, refining and expanding their competencies. At the core of the EU's decision-making structure are four key institutions guiding its administration: the European Parliament, the European Council, the Council of the European Union, and the European Commission, each stationed across various EU locations. These institutions collaboratively shape the EU's agenda and lead the initiation and coordination of EU law-making. The European Council, while not directly involved in lawmaking, holds the authority to endorse changes in the Treaty on the Functioning of the EU, guiding the EU's political trajectory. Typically, the European Parliament, the Council of the European Union, and the European Commission jointly formulate policies and laws through the Ordinary Legislative Procedure[27] (Appendix A), with the Commission proposing and the Parliament and Council adopting them. Subsequently, member countries implement these laws, and the Commission oversees their proper application. Complementing these central institutions are 3 other institutions: the Court of Justice of the European Union[28], the European Central Bank[29], and the European Court of Auditors[30]. This interconnected system reflects the dynamic governance and law-making processes of the EU's.

[27] The procedure, initially introduced by the Maastricht Treaty on European Union (1992) and later refined by the Amsterdam Treaty (1999) and the Lisbon Treaty in 2009, became the primary legislative mechanism in the EU's decision-making system. This procedure grants equal power to both the European Parliament and the Council of the European Union across various domains such as economic governance, immigration or energy.

[28] The Court of Justice of the European Union (CJEU) ensures the uniform application of EU law across member states.It also offers a mechanism for individuals, or organisations to take action against EU institutions, adding an important dimension to the protection of individual and collective interests/rights within the EU.

[29] The European Central Bank (ECB) manages the euro and shapes EU economic and monetary policy. ECB responsibilities extend to maintaining price stability, fostering economic growth and job creation with the commitment to create an environment for sustained economic development within the Eurozone.

[30] The European Court of Auditors (ECA), as the autonomous external auditor for the EU, safeguards the interests of EU taxpayers. While lacking legal authority, it enhances the European Commission's oversight of the EU budget and provides reports on EU financial matters.

2.2.1. European Union Institutions

The subsequent section will focus in detail into the four main institutions of the European Union, guided by the descriptions provided by the European Union[31], in order to further understand the structure and responsibilities of these institutions:

- **European Parliament**

Established in 1952 as the Common Assembly of the European Coal and Steel Community, and as the European Parliament in 1962, reaching a historic milestone with the first direct elections in 1979. Positioned as the EU's central legislative body, operating in Strasbourg (France), Brussels (Belgium), and Luxembourg, the European Parliament stands as a historical institution undergoing direct elections every five years[32], shaping the course of European legislation. The number of Members of the European Parliament (MEPs) per country is designed to be proportionate to its population, employing degressive proportionality. However, specific limits are set: no country can have fewer than 6 or more than 96 MEPs, and the total MEP count cannot exceed 705 (704 plus the President). Noteworthy, MEPs are organised based on political affiliation rather than nationality. The President of the European Parliament, acts as the representative of the Parliament to other EU institutions and the external world and holds the final authority in approving the EU budget (European Union. (n.d.). Types of institutions and bodies).

The work of the European Parliament unfolds through two main stages: the Committees and the Plenary Sessions: Committees prepare legislation, with 20 committees and three subcommittees, each dedicated to specific policy domains. Proposed legislations undergo examination, with MEPs and political groups actively participating, suggesting amendments or arguing for the rejection of bills. These discussions extend beyond committee rooms, influencing the diverse political groups that shape the parliamentary landscape. The summit of legislative decision-making occurs during Plenary Sessions, where all MEPs assemble in the parliamentary chamber to cast their final votes on proposed legislation and suggested amendments. Typically hosted in Strasbourg for four days each month, these sessions serve as the crucible for shaping EU laws (European Union. (n.d.). Types of institutions and bodies).

[31] European Union. (n.d.). Types of institutions and bodies. www.european-union.europa.eu.
[32] The last European Parliament election occurred in 2019, and the upcoming election is scheduled for 2024.

The European Parliament is a decision-making institution with legislative, supervisory, and budgetary responsibilities:
In its **legislative** capacity, the Parliament collaborates with the Council of the EU, shaping EU laws based on proposals from the European Commission. Additionally, it holds the authority to decide on international agreements, enlargements, and reviews the Commission's work program, prompting proposals for legislation.
In a **supervisory** role, the Parliament engages in democratic scrutiny of all EU institutions. It exercises its electoral power to appoint the Commission President and approve the Commission as a collective entity. This includes the ability to vote on a motion of censure, compelling the Commission to resign. Moreover, the Parliament grants discharge, indicating approval or disapproval of the way EU budgets have been utilised. It also investigates citizens' petitions, initiates inquiries, discusses monetary policy with the European Central Bank, and scrutinises the actions of the Commission and Council. The Parliament actively participates in election observations.
On the **budgetary** responsibility, the Parliament collaborates with the Council of European Union to establish the EU budget. It holds the responsibility of approving the EU's long-term budget, known as the Multiannual Financial Framework[33]. This intricate interplay of legislative, supervisory, and budgetary functions underscores the crucial role of the European Parliament in shaping and overseeing the trajectory of the European Union (European Union. (n.d.), Types of institutions and bodies).

- **European Council**

Founded in 1974 as an informal forum, acquiring formal status in 1992 and became an official EU institution in 2009 composed of Heads of state or government of EU countries, European Council President and European Commission President. Located in Brussels (Belgium), the European Council plays a key role in shaping the general political direction and priorities of the European Union. The European Council holds regular summit meetings, typically on a quarterly basis, serving as a forum where EU leaders collaborate to set the political agenda (European Union. (n.d.). Types of institutions and bodies).

[33] The multiannual financial framework (MFF), often referred to as the long-term budget, serves as an instrument that outlines spending priorities and limitations over a 7-year horizon. It establishes maximum annual amounts, for the EU as a whole and its main spending categories. Importantly, it provides the EU with the ability to strategize its funding programs well in advance. The current MFF spans from 2021 to 2027, representing a collaborative effort involving the European Parliament, the Council, and the Commission in its negotiation process.

The European Council serves as the compass for the European Union, determining its overarching direction and political priorities, although without the legislative powers. This institution addresses issues that “cannot be resolved” at lower levels of intergovernmental collaboration. It typically makes decisions through consensus, although unanimity[34] or qualified majority[35] voting may be employed in certain circumstances. Additionally, the European Council assumes the responsibility of shaping the EU's common foreign and security policy, considering strategic interests and defence implications. Noteworthy, it is also responsible for nominating and appointing candidates to significant EU-level positions, including those in the European Central Bank (ECB) and the Commission. As one of the EU's seven official institutions, it contributes significantly to the highest level of political cooperation among EU member states. (European Union. (n.d.), Types of institutions and bodies).

- **Council of European Union**

Established in 1958 as the Council of the European Economic Community, the Council of the EU serves as the voice of EU member governments. Its role includes the adoption of EU laws and the coordination of policies. The Council of the European Union, often referred to as the Council, should not be confused with the European Council or the Council of Europe. The Council of the European Union deals with legislative and policy coordination, the European Council sets the political direction, and the Council of Europe is an international organisation fostering cooperation in broader European contexts. The presidency of the Council rotates among EU countries every six months. Together with the European Parliament, the Council stands as the primary decision-making body of the EU (European Union. (n.d.). Types of institutions and bodies).

[34] The Council employs unanimous voting for matters deemed sensitive by member states, including issues such as common foreign and security policy, membership matters, national legislation on indirect taxation and EU finances. Unanimity is also required when diverging from Commission proposals, and under unanimous voting, abstention does not prevent decision-making. Certain decisions may be adopted on a Commission recommendation without unanimous agreement.

[35] When voting on a proposal by the Commission or the High Representative of the Union for Foreign Affairs and Security Policy, the Council adopts the proposal if a qualified majority is achieved. This is commonly referred to as the 'double majority rule.' A qualified majority is achieved when two conditions are met simultaneously: 55% of members (15 out of 27 members) vote in favour, and the proposal has the support from member states representing at least 65% of the total EU population. An abstention in the context of qualified majority voting is considered a vote against.

The composition of the EU Council is dynamic, without fixed members. Instead, the Council organises in 10 distinct configurations[36], aligning with the specific policy areas under discussion. In a flexible and adaptive structure, each configuration corresponds to a particular policy domain, and each member country appoints its minister responsible for that policy area to participate. This modular approach ensures that the Council operates efficiently across diverse sectors, ranging from economic and financial affairs to other policy realms. As an illustrative example, when the Council meeting focuses on economic and financial matters, known as the Ecofin Council[37], the assembly comprises the finance ministers from each participating country. This nuanced and adaptive system reflects the Council's commitment to addressing multifaceted policy dimensions and fostering specialised discussions across a spectrum of crucial areas within the European Union (European Union. (n.d.). Types of institutions and bodies).

The Council engages in the EU's decision-making process with multifaceted responsibilities. It negotiates and adopts EU laws in collaboration with the European Parliament, drawing from proposals initiated by the European Commission. Beyond its legislative function, the Council serves as a coordinator for the policies of EU member countries, fostering coherence and collaboration. Moreover, the Council is instrumental in shaping the EU's foreign and security policy, aligning its actions with the strategic guidelines set by the European Council. In the realm of international relations, the Council is responsible to negotiate and finalise agreements between the EU and other countries or international organisations, contributing to the EU's global engagement. As mentioned before, the council actively participates in the financial governance of the EU, sharing the responsibility for adopting the annual EU budget jointly with the European Parliament. Through its diverse functions, the Council not only navigates the intricate legislative landscape of the EU but also contributes significantly to the development of its policies and its global position (European Union. (n.d.). Types of institutions and bodies).

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[36] The Council of the EU, functioning as a single legal entity, convenes in 10 different configurations, each adjusted to the subject under discussion. Despite the absence of a hierarchical structure, the General Affairs Council assumes a distinctive coordinating role, overseeing institutional, administrative, and horizontal matters. Similarly, the Foreign Affairs Council holds a unique mandate. Importantly, any of the Council's 10 configurations can pass laws that relate to the domain of another configuration, consequently, when the Council adopts a legislative act, there is no specification of the configuration involved.

[37] The Economic and Financial Affairs Council (ECOFIN) responsibilities include economic policy, taxation matters, financial markets, capital movements, economic relations with non-EU actors, prepares the annual budget and manages the Euro (currency). The Ecofin Council coordinates member states' economic policies, fosters economic convergence, and monitors budgetary policies. It is instrumental in aligning EU positions for international engagements, such as the G20, the International Monetary Fund, and the World Bank.

Council meetings predominantly occur in Brussels, with the exception of April, June, and October, when they take place in Luxembourg. During public sessions, EU ministers engage in discussions and voting on draft legislative acts. Decisions in these sessions typically demand a qualified majority (approval from 55% of countries representing at least 65% of the total EU population). To block a decision, a minimum of 4 countries, representing at least 35% of the total EU population, is required. However, sensitive topics such as foreign policy and taxation demand a unanimous vote, requiring all countries to be in favour, while for procedural and administrative issues, a simple majority is sufficient. The Council's public sessions, available in all EU languages, can be watched live, and their minutes and votes are also public. This system intends to underscore the democratic and transparent nature of the EU decision-making process, allowing citizens to actively engage and stay informed (European Union. (n.d.), Types of institutions and bodies).

- **European Commission**

Established in 1958, the European Commission is the “politically independent executive arm”[38] of the European Union, headquartered in Brussels, Belgium. The Commission leads the proposition of new laws, submitting them to the Parliament and the Council, safeguarding the interests of the EU and its citizens on matters beyond national capacities. As the enforcer of EU law, it collaborates with the Court of Justice to ensure consistent application across all member states. Moreover, the Commission takes charge of managing EU policies and allocates funds, determining spending priorities in collaboration with the Council and Parliament. Its oversight role extends to monitoring fund utilisation, subject to the scrutiny of the Court of Auditors.
On the international stage, the Commission stands as the voice of the EU. Speaking on behalf of all member countries, it actively engages in international bodies, especially in critical areas like trade policy and humanitarian aid. Furthermore, the Commission takes on the role of negotiating international agreements on behalf of the entire EU (European Union. (n.d.). Types of institutions and bodies).

The European Commission is a team of 27 Commissioners, each representing an EU country. This group, known as the College of Commissioners, is formed by eight Vice-Presidents, the High Representative of the Union for Foreign Affairs and Security Policy, 18 Commissioners and the President who allocates responsibilities for specific policy areas. In the process of

[38] European Union. (n.d.). European Commission. https://european-union.europa.eu/

selecting the President of the European Commission, national leaders in the European Council propose a candidate, considering the results of the European Parliament elections. To secure the position, the candidate must obtain the support of a majority of members in the European Parliament. The Presidential candidate selects a list of potential nominees for Vice-Presidents and Commissioners from suggestions provided by EU countries, subject to approval by national leaders in the European Council. Subsequently, each nominee undergoes a vetting process by appearing before the European Parliament where they present their vision, addressing questions, and seeking the Parliament's endorsement. The Parliament then conducts a vote to accept or reject the nominees as a collective team. Finally, the appointed team is confirmed by the European Council through a qualified majority. This process highlights the collaborative dynamics between national leaders, parliamentary representatives and the European Council in determining the Commission's leadership[39] (European Union. (n.d.). Types of institutions and bodies).

The Commission operates through a structured process, beginning with strategic planning directed by the President. This establishes the policy direction, allowing Commissioners to collectively decide on strategic objectives and formulate the annual work program[40]. Decisions within the Commission are characterised by collective responsibility, where all Commissioners hold equal position and accountability. The College ensures collaboration through priority projects, fostering a close and flexible working environment. While consensus is the preferred mode of decision-making, votes by simple majority may occur when needed. In this scenario, each Commissioner has one vote. The Directorate-General addresses subjects in the form of draft legislative proposals[41] presented to the Commissioners for adoption during their weekly meetings. The finalised proposals are subsequently forwarded to the Council and the Parliament, advancing them through the EU legislative process (European Union. (n.d.), Types of institutions and bodies).

[39] The present term of the Commission extends until October 31, 2024.
[40] Annually, the Commission crafts its work programme, delineating the key actions for the forthcoming year. This program serves as a public declaration of our political commitments, outlining plans to introduce new initiatives, retract pending proposals, and reassess existing EU legislation.
[41] Types of legislation: Regulations, Directives, Decisions, Recommendations, Opinions.

2.2.2. Areas of European Union Action

After examining the four main institutions of the European Union in detail and revisiting the definition by Hix and Hoyland (2011) that identifies the European Union as a political system, it becomes clear that:

In the political structure of the European Union, executive power is distributed among the Commission, the European Council, and the Council of the European Union. Acting as the de-facto government, the Commission possesses the authority to initiate EU legislation, manage the budget, and crucially, represent the EU in trade negotiations, along with formulating rules on matters like competition policy. The legislative process in the European Union follows a dual-chamber system, "in which the council"[42] represents the states and the European Parliament represents the citizens" (Hix and Hoyland, 2011).

The power and action of the European Union is restricted to domains explicitly authorised by its member nations through the EU treaties. These treaties delineate the jurisdictions where laws can be implemented, clarifying whether it's the EU, national governments, or a joint effort that holds legislative powers. Moreover, in the EU's legal framework there are three guiding principles that delineate its scope of action. The **principle of conferral** dictates that the EU exercises authority only as granted by treaties endorsed by all member countries. Under the **principle of proportionality**, EU actions are restricted to what is necessary for achieving the objectives outlined in the treaties. Complementing this, the **principle of subsidiarity** ensures that EU intervention in areas shared with national governments is dependent on its capacity to implement more efficiently. These principles collectively navigate the EU's governance, embodying a measured and balanced approach to its functions (European Commission, Areas of EU action).

In certain areas, the EU has the sole authority to implement laws. Member countries are primarily tasked with implementing these laws unless the EU grants them the authority to legislate in certain areas. These **exclusive competences**, as outlined in the treaties, encompass matters such as customs union, competition rules within the customs union; monetary policy for countries in the eurozone; trade and international agreements; marine plants and animals regulated by the common fisheries policy (European Commission, Areas of EU action).
Legislative authority can also be shared between the EU and member countries in other areas.

[42] Council of the European Union

However, member countries are only able to act if the EU hasn't already proposed laws or has decided not to intervene. These **shared competences** include areas like the single market; employment and social affairs; economic, social and territorial cohesion; agriculture; fisheries; environment; consumer protection; transport; energy; justice and fundamental rights; migration and home affairs; public health; research and space; development cooperation; and humanitarian aid (European Commission, Areas of EU action).
In specific areas, the EU is restricted to supporting, coordinating, or complementing the actions of member countries. It lacks the authority to implement laws and can't interfere in impeding member countries in doing so. In such cases, the EU is limited with what the treaties consider **supporting competences**, including areas such as public health; industry; culture; tourism; education and training; youth and sport; civil protection; and administrative cooperation (European Commission, Areas of EU action).

In summary, the European Union exhibits characteristics common to a state, although its sovereignty is not absolute, being tied by treaties requiring the agreement of member states. This nuanced arrangement positions the EU as a distinctive political system. Notably, the EU exercises substantial authority and influence, especially through its exclusive competences and shared competences. This dynamic interplay of competences has shaped the EU's trajectory, establishing it as a unique political entity with a complex yet impactful governance structure.

2.2.3. Member States

At the heart of the European Union are the 27 Member States and its citizens, collectively dedicated to the pursuit of shared goals and values. Acknowledging the economic significance of the EU for its member states, the foundational principles that guide the collaborative efforts within the EU encompass the commitment to maintaining peace in Europe, fostering a high quality of life for its citizens, ensuring equity for all, and eliminating social exclusion. Central to these principles is the profound respect for the diverse languages and cultures of the EU's populace. Despite the inherent complexities, these collective aspirations and shared values serve as the cohesive force uniting the countries of the European Union (European Commission, 2022)[43].

[43] European Commission, Directorate-General for Communication, The European Union – What it is and what it does, Publications Office of the European Union, 2022

Achieving European Union membership requires not only aligning with EU laws and values but also actively working to ensure the implementation and adherence to these principles. The accession process can be extensive, and several countries are currently engaged in the pursuit of EU membership. These nations include Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia, Turkey, and Ukraine. This journey towards EU membership needs comprehensive efforts to harmonise legal frameworks and societal norms with those of the European Union. The accession process to join the European Union is delineated into three main stages. Firstly, a country is recognized as an official candidate for membership, expressing its readiness; however, at this stage, formal negotiations may not have been initiated. Subsequently, the candidate progresses to the phase of formal membership negotiations that can only begin if all EU governments unanimously agree. This intricate process involves the assimilation of established EU law with preparatory measures to implement and enforce it, and the application of a spectrum of reforms in judicial, administrative, economic, and other domains. These reforms are imperative for the country to meet the rigorous conditions for accession, commonly known as accession criteria[44]. Finally, upon the successful conclusion of negotiations and the satisfactory implementation of accompanying reforms, the country obtains the eligibility to join the EU (European Commission, Steps towards joining)[45].

The European Union distinguishes itself through a distinctive feature: while maintaining the sovereignty and independence of its Member States, it converges their sovereignty in areas where collective action offers enhanced benefits. In practical terms, Member States entrust some decision-making powers to the EU institutions, losing some amount of sovereignty, however, "the member states remain sovereign in many areas of policy, including the ability to sign international treaties" (Hix and Hoyland, 2011). Through this collaborative framework, decisions of specific matters of common interest are democratically deliberated and made at the EU level. This unique approach reflects the Union's commitment to achieving collective goals while respecting the autonomy of its individual member nations (European Commission, 2022)[46].

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[44] The accession criteria, also known as the Copenhagen criteria defined after the European Council in Copenhagen in 1993, are the essential conditions that all candidate countries must fulfil to attain the status of a member state.
[45] European Commission. (n.d.). Steps towards joining. Retrieved October 1, 2023, from https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/steps-towards-joining_en
[46] European Commission, Directorate-General for Communication, The European Union – What it is and what it does, Publications Office of the European Union, 2022

According to Bouyala Imbert's in-depth analysis of the EU's economic diplomacy strategy (2017)[47], the collaboration between the EU and the Member States has encountered certain limitations. Achievements that prove challenging at the EU level often find better accomplishment at the local level. One contributing factor is the retained competence of Member States in business promotion. Collaboration with Member States poses a delicate challenge due to the sovereignty implications of economic diplomacy.
The evolving role of the economy in diplomacy has led to significant administrative changes, including the integration of economic affairs in foreign ministries. In nations with a strong economic liberal orientation, such as the and the Netherlands, trade promotion has historically been integral to diplomatic efforts. This administrative shift has been observed in economically liberal countries like Australia, Canada, and Belgium, and more recently in the Netherlands, Lithuania, and France.

The role of Member States within the European Union is a dynamic interplay of shared sovereignty and exclusive competencies. While retaining their sovereignty as independent states, they engage in a unique collaborative model. This collaboration extends to economic diplomacy where issues of sovereignty are particularly sensitive, but despite the concerns, the coordination between EU delegations and Member States' diplomatic representations is widely regarded as highly effective, constituting a potent and efficient tool on a local scale. This effectiveness is particularly evident in the collaborative promotion of business and investment. Although acknowledging the exclusive competence and strengths of Member States in these domains, the creation of an environment fostering collaboration among Member States to collectively promote and enhance the benefits obtained by EU companies, is highly important. Rather than replacing Member States' actions, the focus is on adding substantial value ensuring complementary and subsidiarity support (Bouyala Imbert, 2017, EU Economic Diplomacy Strategy).

[47] Bouyala Imbert. (2017). IN-DEPTH ANALYSIS EU Economic Diplomacy Strategy. Directorate- General for External Policies, Policy Department

Chapter 3: EU as an actor of International Economic Diplomacy

The roles and responsibilities of Intergovernmental organisations (IGOs)[48] are shaped by the specific characteristics of each organisation, including their members, objectives, agendas, rules, resources, bureaucratization level, and efficiency. IOGs present significant diversity in organisational structure, obligations imposed on member states, available resources, and the primary focus of their activities.

The European Union, initially conceived as an economic alliance, swiftly evolved into a political union. Member countries, upon joining the EU, agreed to renounce some political and economic autonomy in exchange for significant advantages. As mentioned earlier, these include access to a unified European market, fostering a free-trade zone, facilitating the movement of people, goods, services, and money across the EU, and receiving regional development funds. Consequently, as defended by many authors, the European Union stands as a distinctive governing entity, marking the world's pioneering venture into supranational organisation. A supranational organisation is "*An international organisation, or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.*", as defined by the United Nations. According to Woolcock's research[49], the free trade in Europe far exceeded anything that happened in any other trade bloc. The author mentions that the standards for environmental regulation, social protection in labour, economic rules, democratic orientation, human rights, and minority protection, among many other reasons, surpass the required benchmarks making the European Union exceptionally attractive.

The increasing relevance of economic diplomacy is particularly evident at the regional level, exemplified by the European Union's success in fostering effective regional cooperation. Despite some criticism and challenges, the EU's success extends beyond the absence of wars or conflicts but in the real lack of any fear or expectation of war between its member states. This naturally fosters prosperity and socio-economic well-being, positioning the EU as the example for regional collaboration.

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[48] An intergovernmental organisation (IGO) is a group created by a treaty involving two or more nations, collaborating in good faith on issues of common interest. Without a treaty, an IGO lacks legal existence. IGOs hold advantages over informal groupings, as they are bound by international law and can make binding agreements among themselves or with other states.

[49] Woolcock, Stephen. 2012. European Union Economic Diplomacy: The Role of the EU in External Economic Relations

As defended by Kishore Mahbubani (2013), no other region rivals the EU in this aspect, embodying a concept of economic regionalism that translates into the political determination of governments to foster the development of international economic ties with geographically neighbouring countries.

> "*We define Economic Diplomacy as the use of states' political influence capacity in favour of its economic interests on the foreign markets. It has not replaced the conventional political diplomacy, but it has become its inseparable element. Economic Diplomacy negotiates the freedom to export and invest beyond the national borders. It takes action together with the companies that are in foreign markets and in the European case this is the base on the community growth itself.*" - Morillas, La diplomacia económica. La otra mediación del estado en el mercado, pp 41-44, 2000.

The prospect of a new global leadership capable of maintaining the equilibrium of the international system is an appealing idea. However, this vision fails when associated with economic powerhouses like the US, EU, or China. As highlighted by Koch (2014), economic diplomacy often boils down to navigating and managing conflicts of interest between states, revealing the intricate dynamics of nations striving for economic advantage and uncovering the complex tapestry of international economic relations. The inherent challenge lies in the pursuit of individual interests, each with its specific agenda and priorities, undermining the potential for coordinated efforts toward common global objectives. Over the course of several decades, the European Union's role in economic diplomacy and international economic decision-making has gradually evolved. It was during the 1990s that the EU emerged as a real player with leadership aspirations in international trade as it underwent substantial growth and development. As the EU gained prominence, its influence in negotiation and policy became evident, particularly through transatlantic agreements. Therefore, the EU's position in international economic diplomacy should be understood in the context of its own development and the changes in economic power on the international stage (Koch, 2014).
The EU plays a pivotal role in economic diplomacy as an internationally distinct actor, enjoying privileged involvement in various forums and engaging in high-level global economic negotiations. As emphasised by Woolcock (2012), the European Union assumes the position of an economically robust actor in international trade and transitions into a role similar to an international forum in the domain of finance. Diplomacy within the EU is

predominantly multilateral, even though states often engage in bilateral diplomacy. This multifaceted engagement is particularly evident in external trade policy, where the European Commission exclusively represents the EU in international negotiations. Meanwhile, concerning the international financial market, member states, at times in collaboration with the EU, independently represent themselves. Discussions on issues related to international finance occur simultaneously within the EU and on the global stage, often in influential forums like the IMF[50] and the FSB[51]. Woolcock argues that Europe solidified its economic position by establishing the largest single market, thereby enhancing its economic robustness.

In Europe, the opinions are diverse, some oppose enlargement and reforms, while others see Europe actively turning outward and initiating reforms like the Common Agricultural Policy (CAP)[52]. According to Leonard (2005), the goals for a 21st century European Union are clear: develop European economies and social models for a globalised era by establishing a prominent global presence with a foreign affairs, opening borders facilitating well-guided and controlled migration, addressing environmental challenges, advancing EU enlargement and enhancing democracy.

In the global context, nations are increasingly emulating Europe's model by forming their own groups, setting off a regional domino effect that promises to redefine the international landscape in the 21st century. The evolution of economic diplomacy has been shaped by the global dynamics, this can be confirmed by the emergence of regional integration blocs, with the European Union standing as a paramount example. The EU serves as a crucial exemplar of how economic diplomacy has progressed into a vital instrument for regional integration and political cooperation. This evolution not only underscores the changing aspect of diplomatic strategies but also highlights the pivotal role played by economic diplomacy in fostering collaboration and unity on regional and global scales.

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[50] The International Monetary Fund (IMF), established during the Bretton Woods Conference in 1944, is a specialised agency of the United Nations. Its primary objectives are to ensure international monetary cooperation, stabilise currency exchange rates, and enhance global liquidity.

[51] The Financial Stability Board (FSB) is an international entity tasked with overseeing and providing recommendations for the global financial system.

[52] Established in 1962, the EU's Common Agricultural Policy (CAP) is a partnership connecting agriculture with society and uniting Europe with its farmers. The CAP has evolved from ensuring food security to embracing broader goals like rural development and environmental sustainability. Managed and funded at the European level through the EU's budget, the CAP supports farmers, enhances productivity, and ensures a stable, affordable food supply. It aims to safeguard livelihoods, promotes fair incomes, and encourages sustainable practices, adapting dynamically to the EU's evolving needs.

Today, as nations grapple with the complexities of economic interdependence, Europe stands as a testament to the profound opportunities within the realm of economic diplomacy. In this historical context, Europe's adeptness in economic diplomacy not only fortifies its own economic resilience but also sets a compelling template for global emulation. Europe’s journey highlights not only its economic achievements but also its role as a consequential international actor, contributing significantly to the intricate web of economic affairs on the world stage. Beyond the European project, the paramount advantage for European economies lies in their intrinsic economic robustness — a strength consistently fortified through progressive integration and ongoing enlargement. This resilience comes not only from the scale of the European economy but also from its demonstrated capacity as a relevant international actor. This economic position, coupled with the high quality of living standards afforded to European citizens through collective negotiations and policy, paints a historical narrative of Europe's journey. From the aftermath of World War II to the present, the European project has evolved into an example of economic strength and collaborative diplomacy.

3.1. EU Competences in Economic Diplomacy

As previously highlighted, the European Union does not fall under the conventional definition of a state, positioning itself as a distinct political system. This classification demands a sophisticated approach to foster cooperation and coherence between the individual perspectives of all member states, to enable the EU to effectively engage in economic diplomacy. Therefore, a comprehensive understanding of the competences, processes, and tools shaping the EU's economic diplomacy becomes imperative. For this purpose, individual analyses of trade agreements, sanctions, the EU's engagement with the WTO, monetary regulation, and financial regulation will be conducted. The aim is to comprehend the EU's competences in each of these tools.

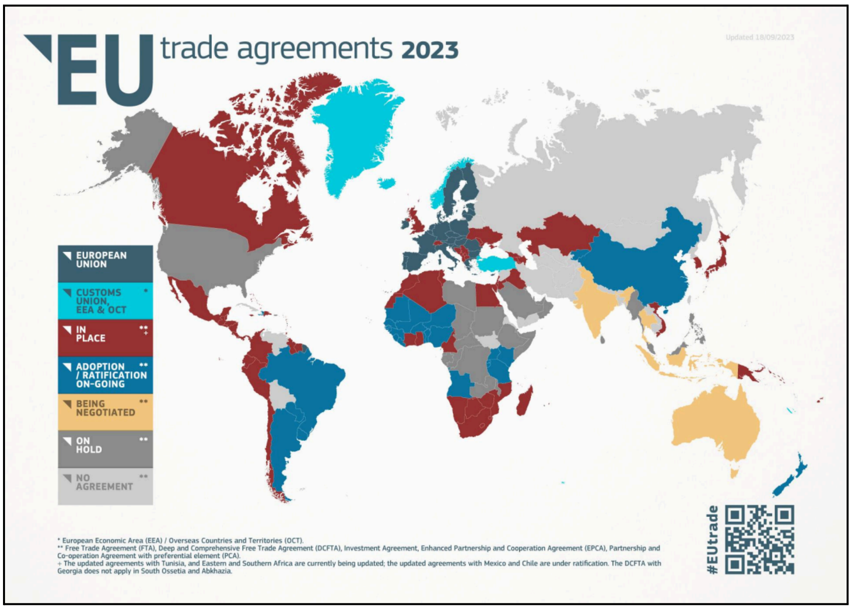
Trade Agreements

In the field of trade policy making, particularly concerning trade agreements, the dynamics are shaped by the principal-agent model[53]. The member states assume the role of the principal, and the European Commission serves as the agent representing and acting on behalf

[53] Originated in the 1970s, the Principal-Agent Theory, articulated by a group of economists and theorists, delineates the relationship between an individual or group, the "agent," that acts on behalf of another individual or group, referred to as the "principal".

of the member states. The Directorate General Trade[54] of the Commission holds the exclusive responsibility as the negotiator in all trade negotiations (Appendix B). However, an essential procedure involves obtaining the authorization by the Foreign Affairs Council (FAC)[55], serving as the representative body of the member states in this process. Upon the conclusion of negotiations, the agreement proceeds to be ratified by the national parliaments of member states if matters of national competence are implicated. Subsequently, the Foreign Affairs Council adopts the agreement through a qualitative majority vote. Moreover, the agreement must receive consent from the European Parliament for final approval (Woolcock, 2017).

Figure 2 - Map: State of play of EU trade agreements with third countries



Source: (European Commission, 2023)

The Common Commercial Policy (CCP) serves as the guiding framework for the European Union's external trade actions. Within this policy, EU Member States entrust the European Commission with the authority to negotiate on their behalf in matters of international trade. This delegation of authority ensures a unified approach to external trade actions within the EU.The CCP is structured upon three main pillars: “the World Trade Organization (WTO), preferential trade agreements and domestic regulation addressing third country relations“ (Bungenberg and Herrmann, 2013). To achieve its core goal to facilitate global trade and

[54] The primary goal of the Directorate-General for Trade is to eliminate trade barriers and promote global trade. It oversees the implementation of the EU's common trade policy, protects EU trade interests, negotiates with stakeholders, and ensures compliance with international agreements.
[55] The Foreign Affairs Council holds the responsibility for managing the EU's external action, including foreign policy, defence and security, trade, development cooperation, and humanitarian aid.

eliminate both tariff and non-tariff barriers, the CCP possesses four protective instruments: the common external tariff, import quotas, anti-dumping measures, and voluntary export restraints. Additionally, the CCP employs export-promoting measures, trade sanctions, countervailing duties[56], safeguard clauses , and rules of origin[57] (Hix and Hoyland, 2011).

According to Hornung (2019), the European Union "operates on a large variety of schemes for trading agreements, which differ in their level of integration and the conditions imposed on the partner country". Hornung (2019) outlines two scenarios for EU trade agreements. The first scenario reveals that EU trade agreements are made with countries of strategic relevance, in a more realistic approach. In the second, trade agreements serve as catalysts for market liberalisation, fostering the global ascent of market economy, democracy, and the rule of law. The European Union (EU) manages its trade relations with non-member countries through various trade agreements aimed at enhancing trading opportunities and addressing associated barriers. These agreements serve not only economic objectives but also act as instruments for promoting European principles and values, including democracy, human rights, environmental sustainability, and social rights.

Trade agreements can be classified based on their specific content and objectives:
Economic Partnership Agreements (EPAs) are trade and development accords between the EU and African, Caribbean, and Pacific (ACP) countries, designed to promote trade and investment while supporting ACP development. The EU's partnership with the Organisation of African, Caribbean, and Pacific States (AACPS) is one of the oldest and most comprehensive frameworks for cooperation with third countries. This collaboration has strengthened over time through successive ACP-EU agreements, beginning with the Lomé Convention in 1975 and later replaced by the Cotonou agreement adopted in 2000. A new agreement was officially signed on 15 November 2023 by the EU and its member states and OACAS members in Samoa - Samoa agreement. These agreements fully open EU markets to ACP exports, while ACP partners progressively open to EU imports over transitional periods. Overall, 33 ACP countries across seven regions are currently implementing these agreements. Tailored to each region's needs and socio-economic conditions, EPAs go beyond typical free-trade agreements by integrating provisions for cooperation, sanitary standards, and

[56] Countervailing duties are taxes imposed on imported goods to counteract the effects of subsidies given to producers in the exporting country. They are intended to neutralise the advantage gained by the subsidised producers, promoting fair competition and protecting domestic industries.
[57] Rules of origin are regulations that determine the country of origin of a product. Rules of origin are important in international trade influencing tariffs and trade agreements. They ensure that only products meeting certain criteria get special treatment, preventing misuse of trade policies.

economic assistance. Joint institutions monitor implementation, addressing trade issues collaboratively to foster reform, enhance economic governance, and attract investment for sustainable growth in ACP countries. Economic Partnership Agreements (EPAs) are founded on the "essential and fundamental" elements of the Samoa Agreement, including human rights, democratic governance, and the rule of law. Specific EPAs, such as the EU-SADC and EU-CARIFORUM agreements, contain provisions on Trade and Sustainable Development, with the EU-Kenya EPA incorporating binding commitments related to labour rights, gender equality, environmental protection, and climate change. EPAs also aim to enhance regional economic integration by ensuring that countries within the same region extend mutual trade advantages similar to those offered to the EU.

Free Trade Agreements (FTAs) facilitate reciprocal market access between the EU and both developed and emerging economies, providing preferential access to each other's markets. In 2023, the European Union's extensive network of 42 trade agreements with 74 partners facilitated trade valued at over €2.3 trillion, reflecting an increase of more than 30% over the past five years, as noted in the latest Annual Report on the Implementation and Enforcement of EU Trade Policy. EU exports to preferential trade partners are increasing at a faster rate than overall exports, driven by key trade agreements with South Korea, Canada, Japan, and Vietnam. Notably, agreements with South Korea and Canada produce an average annual export growth of 7%. This growth underscores the significance of EU trade agreements in addressing global challenges by providing safer, more diverse supply sources for imports and expanding export markets. Over the past five years, the European Commission has successfully eliminated 140 barriers to EU exports across more than 40 countries, contributing to an additional €6.2 billion in exports in 2023 alone. In that year, 41 trade barriers to market access were fully or partially resolved in 28 partner countries, addressing issues such as phytosanitary restrictions on EU agri-food exports to Japan, Saudi Arabia, and China. The expansion of EU export opportunities through trade agreements and the effective enforcement of trade policies significantly benefits EU consumers and businesses, particularly the 680,000 small and medium-sized enterprises (SMEs) that depend on these markets for growth. These initiatives are integral to the EU's long-term strategy aimed at enhancing the competitiveness of its companies and ensuring economic security.

Association Agreements (AAs) extend beyond enhancing economic cooperation to strengthen broader political relationships. The EU typically establishes these agreements with countries that fall into one of three categories: those with historical ties to EU member states, particularly former colonies and developing nations; members of the European Free Trade Area (EFTA); and prospective EU members. In the context of EU accession, AAs serve as a framework for the accession process. Notably, Turkey has an association agreement with the EU, and similar agreements with Western Balkan countries are referred to as "stabilisation and association agreements."

Additionally, the EU engages in non-preferential trade agreements as part of larger frameworks, such as **Partnership and Cooperation Agreements (PCAs)**, which often encompass various economic and political collaborations. The EU primarily establishes PCAs with countries in the European Neighbourhood Policy, including former Soviet republics and nations in North Africa. These agreements aim to support the development of a robust free market economy and a favourable business climate for foreign investments while fostering trade relations. Many PCAs also encompass provisions for cooperation in culture, science and technology, administrative capacity, and civil society.

Through these diverse agreements, the EU aims to create a more integrated global trade environment while promoting its core values and interests. While the EU possesses the capability to restrict market access through protectionist measures against individual states, this capacity is constrained by binding agreements with several international regimes, notably the WTO. Similar limitations are imposed when extending preferential access to other nations. Furthermore, this ability faces constraints from more liberal member states opposing such measures (Woolcock, 2012). Owing to the substantial market influence of the European Union, the Commission assumes a formidable responsibility and wields significant power in shaping economic interactions among member states, particularly in influencing their trade dynamics.

European Union and the WTO

In the field of trade, the World Trade Organization (WTO), especially its Dispute Settlement Body (DSB)[58], holds significant international relevance. The European Union, along with all its member states individually, is a formal member of the WTO (World Trade Organization, 2023)[59] causing certain complexities due to overlapping competences.

[58] The Dispute Settlement Body (DSB) supervises conflicts among WTO members. It possesses the authority to institute dispute settlement panels, engage in arbitration, endorse panel reports, monitor the implementation of recommendations and rulings, and authorise the suspension of concessions in cases of non-compliance.

[59] WTO. (2023). European Union - Member information. . Retrieved October 1, 2023, from www.wto.org/ english/ thewto_e/countries_e/european_communities_e.htm

Nonetheless within the WTO and the DSB, the “EU operates as a single actor (…) and is represented by 20 the Commission rather than by the Member States“ (Mendonça, 2018). This restricts voting rights and other measures available to member states, falling under the exclusive competence of the European Union, covered under the Common Commercial Policy (CCP). Hornung's (2019) study on the EU-WTO relationship highlights a noteworthy historical evolution in the EU's strategy, emphasising its current active participation in multilateral efforts. Initially adopting a defensive position in multilateral trade endeavours, motivated by concerns about relative gains, the EU's position underwent a transformation over time. Presently, the EU plays an active role in the WTO's dispute settlement system, contributing to the shaping of its current form through negotiations.These policies and its active engagement in the WTO, demonstrates the EU undeniably role as a major player in economic diplomacy, with competences closely intertwined with its position and recognition as a global actor. The action of the EU within the WTO unfolds a narrative of strategic negotiations, harmonising diverse national interests, and contributing to the ongoing evolution of EU’s global trade governance.

Economic Sanctions

European Union sanctions, considered as restrictive measures, stand as an instrument within the EU's to promote the goals of the Common Foreign and Security Policy (CFSP)[60]. Consequently, sanctions fall under the jurisdiction of the CFSP and are subject to CFSP’s “limitations in the face of coordination issues, competing interests and sporadic support from the member states“ (Courières, 2017). These measures are designed to uphold the EU's values, fundamental interests, and security. They intend to play a crucial role in reinforcing democracy, the rule of law, human rights, and the principles of international law, contributing to the preservation of peace, conflict prevention, and the enhancement of international security (European Union, European Union sanctions). The legal framework of Sanctions in EU is provided by the Article 215[61] of the Treaty on the Functioning of the European Union (TFEU) that defines it as "the interruption or reduction, in part or completely, of economic and financial relations with one or more third countries" (Treaty on the Functioning of the European Union, 2012). The treaties of Maastricht and Lisbon granted the High Representative of the Union for Foreign and Security Policy, a role within the Commission,

[60] The Common Foreign and Security Policy (CFSP) is a component of the EU's strategy, aligned with objectives of maintaining peace, reinforcing global security, fostering international collaboration, advancing democracy, the rule of law, and human rights.
[61] Treaty on the Functioning of the European Union, TITLE IV RESTRICTIVE MEASURES Article 215.

the authority to recommend sanctions to the council. The council, in turn, is mandated to make decisions on sanctions through a unanimous vote (Russel, 2018). Moreover, the Commission is tasked with overseeing the consistent application of sanctions by the member states (Courières, 2017). This allocation of responsibilities reflects the evolving mechanisms and framework within the EU to shape international policy through sanctions.

Figure 3 - EU Sanctions Map

Source: (European Union. European Union sanctions, 2023)

The European Union's application of sanctions is motivated by concerns such as human rights violations and the suppression of democratic actors (Appendix C). Although the sanction policy also addresses states considered strategically important, sanctions are primarily directed at existing or past undemocratic regimes involved in human rights abuses. This suggests that sanctions serve the purpose of upholding a world order founded on liberal principles, including democracy and the rule of law.

Monetary Regulation

In the domain of monetary policy, the establishment of a single currency through the European Monetary Union (EMU), with a substantial number of member countries, conferred notable competences upon the EU. Currently overseen by the The European Central Bank (ECB), decisions regarding monetary matters within the eurozone are no longer made at the member state level. Consequently, internal monetary regulations in eurozone countries are addressed at the EU level. Although Monetary Regulation can be considered an advantageous tool of EU economic diplomacy, it has limited competences regarding external action. However, given that not all countries are part of the EMU, the EU's authority to enact monetary regulations for all members is limited. Additionally, the EU's recognition as a participant in international monetary discussions is limited, as the Commission lacks formal representation at the IMF. While member states and the Commission collaborate closely in various working groups for consultation, there is no mandatory requirement to reach a common position. It's worth noting that the ECB holds observer status, but this standing doesn't grant participation in discussions (Koops and Tolksdorf, 2015).

Financial Regulation

In the realm of economic diplomacy, financial regulation stands out as a crucial component. Within the European Union, financial regulation is characterised by a nuanced system of "shared competence between the EU and the member states" (Woolcock, 2012). Key EU policies, such as MiFiD 2[62] and MiFIR[63], aim to ensure fair, transparent, efficient, and integrated markets (European Commission[64]). However, their application in economic diplomacy is limited. An essential aspect for external action would involve the control of both internal and external capital flows. While the EU has been granted this competence, member states retain responsibility for the supervision of financial institutions and the implementation of regulatory standards at the EU level by banks and other financial institutions (Woolcock, 2012). This arrangement restricts the use of the EU's substantial market power in economic diplomacy measures.

[62] Directive of the European Parliament and the Council on markets in financial instruments.This Directive is applicable to investment firms, market operators, and third-country firms that provide investment services or engage in investment activities by establishing a branch in the Union.
[63] Regulation of the European Parliament and of the Council on markets in financial instruments.
[64] European Commission . Investment services and regulated markets. https://finance.ec.europa.eu/

3.2 : European Union's Economic Diplomacy Strategy

In pursuit of a deeper understanding of the EU's economic diplomacy, this study analyses its economic approach and alignment with strategic interests. It is important to understand the EU's geopolitical goals and identify the challenges, aiming to unravel the intricacies of its economic diplomacy initiatives.

Strategic Interests and Motivations

In an era marked by an increasingly hostile and unstable geopolitical landscape, the European Union finds itself entangled in the great power competition involving influential actors like China and the United States. The challenges posed by climate change add a layer of complexity, presenting economic, social, and geopolitical challenges. The EU's Geopolitical Outlook for Europe (2018) provides valuable insights into the diverse objectives and challenges faced by the EU on the global stage. The report underscores the repercussions of the annexation of Crimea and the escalating threat posed by Russia along its eastern border, and refers to China's disputed territorial claims in the South China Sea, as a matter of significance in the geopolitical agenda. The EU also recognizes the increasing instability in its proximity as a substantial risk to the EU’s security, specifically, conflicts in the Middle East, coupled with the rising threat of terrorism, that are articulated as urgent concerns. It is noteworthy that the concerns articulated in the 2018 report gain further credence with subsequent events, particularly the invasion of Ukraine by Russia in 2022. The unfolding events validate the geopolitical threats expressed in this report revealing the dynamic and evolving geopolitical landscape in which the EU operates. The report underscores essential factors, with a focus on geography, specifically safeguarding globally significant areas like vital shipping routes and ensuring access to essential resources, particularly oil. In alignment with these considerations, the European Union delineates strategic goals, including the containment of threats from international actors, stabilisation of its immediate neighbourhood, and securing pivotal geographical locations and resources. This strategic framework reflects the EU's historical necessity to navigate a complex geopolitical landscape, balancing security and access to vital resources in the pursuit of overarching objectives.

Hornung (2019) mentions the abrupt withdrawal of the United States from Afghanistan, under the administration of President Joe Biden, emphasising the propensity for unilateral actions in pursuit of national interests, often with minimal regard for consultation with allies. The author suggests that, in the current dynamic situation, the EU felt the need to rereview its global strategies for ensuring prosperity and safety. To tackle these challenges effectively, the EU should enhance diplomatic capabilities, strengthen defence capacities, and refine tools for internal security. This emphasises the importance of the EU navigating contemporary geopolitics with a well-planned, cohesive, and resilient approach on the global stage.

EU trade agreements also offer insight into the role of strategic motives in shaping these economic engagements. Hornung (2019) argues that the EU engages in trade agreements with strategically relevant countries but not exclusively. These agreements prioritise fostering democracy and the rule of law through political dialogue, promoting capitalism, creating economic interdependence by exporting European norms, and emphasising labour rights through positive incentives and binding measures.Additionally, as previously mentioned, the European Union's sanction policy extends to states deemed strategically important. This underscores the EU's recognition of the geopolitical significance of certain nations, prompting targeted measures as part of its diplomatic and strategic toolkit. By incorporating strategic considerations into its sanctions framework, the EU demonstrates a nuanced approach that aligns with broader geopolitical objectives and security concerns. This suggests that the EU employs a liberal toolset while also maintaining a realistic approach by aligning itself with strategically relevant countries.

EU emerging Strategy on Economic Diplomacy

Bouyala Imbert (2017) in-depth analysis explores the transition of EU business support into an emerging economic diplomacy strategy. In 2009, a pivotal year with the global financial crisis at its peak and the Lisbon Treaty enacted, the European Union (EU) confronted the dual challenges of economic recovery and treaty implementation. In response to the financial crisis aftermath, the EU shifted its primary focus towards fostering growth and job creation. The Lisbon Treaty brought new EU competences in investment and external policy. The creation of the European External Action Service (EEAS) and the Commissioners' Group on External Action (CGEA) marked significant steps in EU foreign policy. The integration of 140 delegations under the EEAS bolstered the EU's capacity for robust economic diplomacy. This period reflects a strategic alignment of EU policies and institutions, emphasising growth, the use of external policy tools, and support for SMEs' global expansion. It underscores the EU's dedication to economic recovery and global competitiveness. In 2010, the Commission introduced the 'EUROPE 2020' strategy, outlining a vision for smart, sustainable, and inclusive growth until 2020. This framework aimed to address structural weaknesses, enhance competitiveness and productivity, and establish a socially sustainable market economy, and recognized the crucial role of external policy instruments in promoting jobs and growth. In 2011, the Commission reinforced its dedication to economic expansion with the 'Small business, big world' strategy, aiming to assist Small and Medium-sized Enterprises (SMEs) in expanding beyond the EU (Bouyala Imbert, 2017).

Under Jean-Claude Juncker's Commission, the focus extended beyond jobs and growth to include investment as a core strategy element. A crucial shift was the emphasis on sustainable, inclusive growth resilient to global economic shocks. The 2016 'EU Global Strategy on Foreign and Security Policy' conference reinforced the importance of understanding external economic realities through EU delegations, advocating for a coordinated approach at macro, mezzo, and micro levels. The European Commission proposed a "*right mix of external economic policies*" focused on removing trade barriers, supporting EU businesses abroad, shaping globalisation, and attracting foreign investment into the EU (Bouyala Imbert, 2017). The EU has been deliberating on how to better advance its economic interests beyond its borders, but the development of its economic diplomacy has been a gradual process. The term "Economic Diplomacy" is relatively new in the EU, only surfacing in the 2016 in the EU Global Strategy presented by the EEAS in June 2016 (European Union External Service, 2016). This strategy aims to strengthen a more united and influential Europe on the global stage, ensuring citizens' security, preserving interests, and promoting values — all integral aspects of a broader definition of economic diplomacy. The European Commission outlined four enduring pillars for European economic diplomacy: removing barriers to trade and investment, supporting EU businesses expanding abroad, shaping the global economic rulebook, and attracting strategic foreign investments into Europe. According to Bilal (2021), the EU Global Strategy often associates economic diplomacy with conflict settings and security matters, only briefly mentioning its connection to EU prosperity. It is also discussed in the context of coordinated efforts with energy and cultural diplomacy. This somewhat unclear approach on economic diplomacy, in the author's opinion, reflects internal tensions between the European Commission and the EEAS. The EEAS, focused on foreign and security issues, is cautious not to intrude on the responsibilities of other institutions or bodies of the EU like the Directorate-General Trade, responsible for internationalising European businesses and EU trade policy, respectively.

The 2017 European Consensus on Development, part of the EU's response to the 2030 Agenda, acknowledges mutual interests in policy dialogue and partnerships with developing countries. Specifically, it recognizes prosperity and economic objectives in its engagements, particularly with middle-income countries. Aligned with the EU Global Strategy, it introduces European economic diplomacy into the development agenda, stating, "The EU and its Member States will combine the skills and resources of the private sector with supportive Aid for Trade, trade policies and instruments, and economic diplomacy." (European Union, 2017). However, the document lacks detailed guidance on the nature of economic diplomacy in the context of development, offering no strategic direction from a developmental standpoint. While the EU Global Strategy provided the initial official go ahead of European economic diplomacy, it is only in its Reflection paper on Harnessing Globalisation that the European Commission started articulating in a more formal way its economic diplomacy ambitions (European Commission, 2017). The strategic dimensions of the paper include establishing a fair and balanced global rulebook through reinforced multilateralism. It addresses issues such as unfair unfair trade practices and detrimental subsidies to challenges like social dumping, tax evasion, illicit financial flows. The strategy focuses on a balanced rules-based trade and investment agenda with supporting effective mechanisms for international economic and financial rules. The goal is to open markets reciprocally while improving global economic rules, enhancing social and labour standards, and extending development efforts beyond aid. The strategy actively projects and upholds EU values, aligning with the 2030 Agenda for Sustainable Development underlining the EU's commitment to progressive global engagement and principled economic diplomacy.

According to Bilal (2021), achieving a comprehensive agenda and effective strategies requires not only coordinated EU policies but also collaboration among EU institutions and Delegations to ensure a unified approach. This coordination must extend to decision-making bodies such as the European Commission, the Council of the EU, and the European Parliament. Additionally, the dynamics between the EU and member states significantly shape European economic diplomacy. While smaller EU states support a unified EU framework, larger member states tend to prioritise their national autonomy, making them reluctant to delegate authority to the EU for promoting their interests. Their established roles as global actors contribute to a perceived limited need for a cohesive European economic diplomacy strategy. These power dynamics necessitate a cautious approach to establishing EU economic diplomacy, highlighting the importance of achieving consensus through cooperation and coordination.

The Global Gateway

Launched on 1 December 2021, the EU's Global Gateway strategy aims to close the global investment gap by promoting sustainable, secure, and high-quality infrastructure. The EU plans to mobilise up to €300 billion in investments by 2027, fostering development aligned with environmental, labour, and financial standards. The priority sectors defined by the EU for this strategy are five, namely:

Digital technology: Through the Global Gateway, the EU is enhancing connections with partner countries to address the digital divide and promote integration into the global digital ecosystem. The EU is advancing a human-centric approach to digital transformation, acknowledging its rapid impact on labour markets.

Climate and energy: The Global Gateway will facilitate investments in climate mitigation, resilience, and clean energy, presenting both a necessity and an economic opportunity for low- and middle-income countries. This initiative supports the green transformation needed to achieve the Sustainable Development Goals and the Paris Agreement commitments, promoting green technology exchanges and enhancing energy security.

Transport: The Global Gateway promotes sustainable and resilient infrastructure investments across various transport modes, including rail, road, ports, airports, logistical centres, and multimodal platforms. The goal is to enhance regional and domestic trade while developing climate-resilient transport connectivity.

Healthcare: The Global Gateway enhances global healthcare capacities by securing pharmaceutical supply chains and fostering local production. It targets diseases like COVID-19, malaria, yellow fever, tuberculosis, and HIV/AIDS, prioritising the development of local manufacturing capabilities.

Education and research: The Global Gateway will invest in quality education, focusing on the inclusion of vulnerable groups. It aims to enhance research and innovation cooperation with partner countries, providing access to quality education, vocational training, and facilitating academic and research networks.

Rising geopolitical tensions, intensified since Russia's invasion of Ukraine, and concerns over China's expanding infrastructure financing in developing countries prompted the EU to develop this strategy. The Global Gateway requires full engagement from EU Member States, better alignment of development, foreign, and economic policies, and an expanded role for private-sector investment. Aligned with the G7's 2021 commitment to transparent, values-based infrastructure, the strategy supports the UN's 2030 Sustainable Development

Agenda and the Paris Agreement, it is based on five core principles: promoting democratic values, good governance, and transparency; fostering equal partnerships with partner countries; advancing a green, sustainable approach aligned with the Green Deal; focusing on secure infrastructure; and encouraging private sector investment. The EU aims to address reputational challenges and influence governance models in partner countries, particularly in Africa, by positioning the Global Gateway as a credible alternative to China's Belt and Road.
Its first major initiative, the Africa-Europe Investment Package, dedicated €150 billion to strengthen African partnerships, with an additional €45 billion pledged for projects in Asia, the Pacific, and Latin America. By 2023, the Global Gateway launched ninety key projects across digital, energy, and transport sectors to enhance global health, education, and research infrastructure for sustainable development. This initiative reflects growing European concerns over China's influence in Africa, traditionally within Europe's sphere. While the EU's trade and investment in Africa exceeded China's, with over €212 billion invested in 2018 compared to China's €39 billion, the EU's fragmented branding has limited its perceived impact (Teevan, Bilal, Domingo, Medinilla, 2022).

In *The Global Gateway: A Recipe for EU Geopolitical Relevance?* (2022), the authors outline four main components of the Global Gateway, highlighting it as a strategy to further advance existing EU priorities:
The EU aims to establish a recognizable "**trusted" brand** to strengthen its geopolitical position. The COVID-19 pandemic highlighted the need for financial tools that reinforce the EU's role as a global standard-setter while presenting its initiatives cohesively. Although the EU and its member states are the largest providers of Official Development Assistance (ODA), they have historically lacked a collective brand to showcase their global impact, especially in competing with geopolitical rivals for infrastructure investments.
The second component identified by the authors is **the Pledge**. The EU has committed €300 billion in investments from 2021 to 2027 to promote sustainable development through its Neighbourhood, Development, and International Cooperation Instrument and the European Fund for Sustainable Development Plus (EFSD+). Despite challenges, this target aims to ensure accountability and foster collaborative investment, reinforcing the EU's credibility.
The third component, **a Direction**, reflects the EU's shift from traditional development aid to a policy-driven approach for external investment through the Global Gateway. This strategy seeks to promote sustainable development while advancing the EU's political and economic interests. By enhancing its tools and methods, the EU aims to mobilise both public and private

investments, articulating its geopolitical ambitions. However, this shift faces criticism regarding the EU's commitment to development principles and challenges in attracting private investment due to the complexity of EU processes. Additionally, the Global Gateway's narrative lacks clarity on mobilising public resources beyond development aid, suggesting support for the European private sector could come from sources like export credit agencies.

Lastly, the **Methodology** involves implementing the Global Gateway through the Team Europe approach and Team Europe Initiatives. Launched in 2020 in response to COVID-19, the Team Europe approach enhances strategic joint programming among the EU and its member states, increasing visibility and coherence in foreign, economic, and development policies. A key innovation is the Team Europe Initiatives, which are flagship projects in partner countries that address local needs and showcase the EU's added value while aligning with the strategic priorities of both the EU and its partners.

The Global Gateway faces several challenges that must be addressed. Member states need to coordinate efforts, providing both financial resources and political support, while the EU institutions should adopt a less directive approach to facilitate collaboration without dominating the agenda. Establishing the Global Gateway as a trusted brand requires sustained communication, political commitment, and demonstrable impact. A significant shift in mindset is necessary to achieve a geostrategic approach to external investment, with clear political goals beyond developmental priorities. Enhanced policy coordination is essential between public and private sectors, as well as among economic and foreign policy ministries. Scaling up private finance requires creating favourable conditions and long-term incentives for investment in developing countries, particularly in Africa (Teevan, Bilal, Domingo, Medinilla, 2022).

The current geopolitical landscape is characterised by significant tension and volatility, exacerbated by threats such as climate change and shifting global power dynamics. Addressing these challenges will require a flexible approach; however, this flexibility must not compromise long-term strategic vision. Furthermore, it is crucial that it fulfils its existing commitments.for the EU to be regarded as a credible global actor.

Conclusions

The early 20th century, marked by widespread conflict and devastation, saw the evolution of trade diplomacy into economic diplomacy, characterised by shifts in traditional diplomatic norms and new methodologies. Amid a changing global economic order and the rise of globalisation, economic diplomacy has become essential in contemporary international relations, integrating diplomatic efforts with economic activities. This interconnection reflects the growing need for states and corporations to engage in global economic development. Consequently, economic diplomacy has expanded in scope and complexity, reshaping the established frameworks governing the relationship between politics and the international economy. In the international arena, where states are fundamental, economic diplomats serve as crucial representatives. They must develop innovative strategies tailored to the evolving dynamics of economic, trade, and financial relations among diverse international actors. These adaptations not only meet global expectations but also address pressing environmental and humanitarian challenges. As the connection between politics and the economy evolves, decision-makers must understand contemporary economic issues, engage effectively in international negotiations, and use economic tools. This highlights the relevant role of economic diplomacy in navigating the complexities of the global landscape and contributing to the peaceful transformation of the international economic order.
The European Union's role in the context of international relations has evolved over time motivated by member states' responses to external drivers and global challenges. As mentioned in the European Commission's Reflection Paper on Harnessing Globalisation (2017), the need for the EU to embrace economic diplomacy is evident. In a world marked by multipolarity, economic diplomacy becomes a crucial instrument, positioning the EU as an active actor in shaping global politics. This role goes beyond advocating for a level playing field, it represents a collective call for the entire European Union to enhance its commitment to economic diplomacy.

In response to the research question regarding the primary challenges and limitations facing the EU in developing a unified and effective economic diplomacy strategy, as mentioned before, the EU's success extends beyond the absence of wars or conflicts but in the unprecedented assurance of peace among its member states, fostering prosperity and socio-economic well-being. This unique dynamic positions the EU as a standout example of effective regional collaboration. However, despite being an undeniably important international actor, and its ambition to play a pivotal role in shaping global economic policies, the European Union has struggled to implement a cohesive and impactful economic diplomatic strategy. Interestingly, the concept of European economic diplomacy is not often mentioned in EU policy documents. Several key factors can be identified:

Fragmentation: The EU consists of member states with diverse economic interests and priorities. Coordinating a unified economic diplomacy strategy becomes challenging due to this inherent fragmentation. This diversity creates a challenge when trying to formulate and implement a unified economic diplomacy strategy. Each member state may have distinct trade goals, economic policies, and international priorities, and may not be willing to lose sovereignty in these areas, making it difficult to present a cohesive front in economic negotiations or diplomatic initiatives.

Complex Decision-Making Structure: The complex decision-making structure within the EU involves multiple institutions, as explained in Chapter 2, each with its own roles and responsibilities. For example, the European Commission proposes legislation, the European Council sets general political directions, and the European Parliament represents citizens. This intricate system can lead to delays and challenges in formulating and executing a streamlined economic diplomacy strategy. Coordination among these entities with diverse competences adds to the complexity, making prompt and coherent decision-making challenging.

Competing Interests: Competing interests in economic diplomacy refer to the diverse and sometimes conflicting economic goals among member states within the European Union (EU). Each state may have distinct economic objectives and trade preferences that do not align with those of others. This competition complicates the coordination of a unified economic diplomacy strategy. For instance, differing trade relationships and economic dependencies among EU member states make it challenging to formulate and execute a cohesive approach that satisfies all parties. Balancing and harmonising these competing interests is crucial for effective economic diplomacy within a multi-member union.

Power Dynamics among Member States: Power dynamics among member states refer to the varying degrees of influence and economic interests that individual EU states possess. These dynamics can create challenges, as larger and economically stronger states may impose their preferences on smaller or less influential states. This struggle for influence complicates the implementation of a cohesive economic diplomacy strategy for the EU, leading to disparities in priorities and approaches among member states. Balancing these diverse interests adds to the challenges the EU faces in conducting effective economic diplomacy.

Global Power Shifts: The shifting dynamics of global power are significant changes in the distribution of power and influence among countries on the global stage. In economic diplomacy, these shifts can present challenges for established powers like the EU as emerging economies gain more prominence. The dynamics of economic relationships, trade, and negotiations may be influenced by these changes, requiring prompt adaptive strategies to navigate the evolving landscape.

External Pressures and Conflicts: External forces or geopolitical events that can impede or complicate a nation's or union's economic diplomacy efforts. These could include trade disputes, sanctions, geopolitical tensions, or other conflicts that create an unfavourable environment for economic engagement. As an example, Russia's invasion of Ukraine affected energy prices and inflation rates. The EU is often caught in the crossfire of global conflicts and trade tensions, affecting its ability to assert its economic interests effectively. The challenge lies in mitigating these external pressures and conflicts to ensure a conducive environment for effective economic diplomacy.

Addressing these challenges requires the EU to foster greater internal cohesion, streamline decision-making processes, and develop strategies that adapt to the evolving dynamics of global economics and politics. The European experience highlights that the path to building a new political and economic order is rooted on an increase in interest in collectivity and cooperation on pressing issues and prominent matters. This recognition underscores a nuanced approach where cooperation and shared responsibility become integral to the pursuit of a more inclusive and sustainable European political-economic framework.

Addressing how the EU’s approach to economic diplomacy contributes to its future resilience and influence in the global order:

The European Union (EU) is going through a turning point in its foreign policy due to the impacts of Covid-19 and the Russo-Ukrainian war. In the face of an increasingly multipolar world, the EU has the opportunity to re-evaluate its foreign affairs strategy to regain prominence in global politics. Despite the inherent complexity of the EU's foreign policy, given the diverse interests of its members, the EU has undeniable potential to position itself as one of the most relevant actors of international context. The main challenge is establishing well-structured organisations with robust governance and mechanisms to ensure compliance with Fair and Ethical Trade standards. European economic diplomacy can elevate these efforts, mobilising relevant tools and mechanisms. It can also play a role in promoting social economy actors, such as social enterprises, cooperatives, and ethical banks, in international markets and EU trade and investment with partner countries. The EU, with its forthcoming action plan for social economy, has the opportunity to pioneer and lead in the global dimensions of the social economy, mutually beneficial social and economic outcomes in line with its economic diplomacy objectives.

In its early stages, the EU's economic diplomacy strategy allows for shaping its trajectory in the coming years. The responsibility for implementing this strategy rests with the EU and its institutions. Despite its recent introduction, opportunities for asserting a robust stance on issues integral to the EU's values are becoming evident. The European Union is making noteworthy strides in strengthening its economic diplomacy, particularly in crafting instruments like sanctions and trade agreements. The EU appears to be learning from past challenges, especially in generating cohesive responses, as demonstrated in its handling of crises such as Covid-19 compared to earlier crises like the Refugee Crisis (2015) and the Financial Crisis (2008). The Recovery Plan for Europe, presented by the European Commission on May 27, 2020, is a significant initiative that constitutes the most extensive stimulus package designed to boost recovery. It aims to rebuild a post-COVID-19 Europe with strategic focuses on research and innovation, equitable climate and digital transitions, and modernization of policies like cohesion and the common agricultural policy. Additionally, the plan addresses critical challenges such as climate change, biodiversity protection, and gender equality. The Global Gateway project aligns with this strategy, and to ensure credibility, the EU and its member states should adopt pragmatic measures to deliver tangible outcomes. This is vital for establishing the Gateway as a ‘trustworthy’ brand, supporting the EU’s broader aspirations for global influence and effective partnerships. These efforts aim to foster a more resilient Europe and position it as a driving force in the global shift toward a value-driven economy. Overall, this evolving strategy highlights the EU's commitment to navigating the global economic landscape and shaping international relations.

In the short term, the European Union (EU) must focus on identifying critical factors that constrain economic development and prioritise coordinated efforts to address these challenges. Team Europe will play a pivotal role in this process, ensuring transformative outcomes through the selection of investment proposals aligned with its Team Europe Initiatives (TEIs). By sharing success stories of coordinated EU actions that resonate with the priorities of partner countries, the EU can effectively scale up its approach. Moreover, strengthening geostrategic and political direction is essential for achieving the EU's objectives. The Economic Diplomacy strategy should be fully integrated into the EU’s external relations framework, extending beyond mere development cooperation. Foreign and economic diplomacy must be central to the Global Gateway initiative, ensuring that all actions align with the EU's core values and sustainable development goals. This necessitates enhanced coordination among development, foreign, and economic policymakers, which includes fostering collaboration between relevant Directorate-Generals, the European External Action Service, and various Council committees. To reinforce the EU's brand, the implementation of coordinated political communication strategies is critical. These strategies should not only showcase ongoing development initiatives but also prioritise new strategic investments. Furthermore, communication efforts must differentiate between European and external audiences, tailoring messages to align with the specific interests and expectations of partner countries and their stakeholders. In addition, policymakers should prioritise flagship investments in collaboration with the private sector to ensure effective outcomes. Establishing realistic expectations is crucial, as is the commitment to deliver on promises by focusing on strategic investments in key areas. Ultimately, the successful implementation of the EU's strategy depends on the commitment and capacity of both the EU and its member states to create genuine partnerships with countries and regions around the globe. This approach requires alignment with local priorities, active engagement with local actors, and the mobilisation of both international and local investments alongside public and private stakeholders. By fostering these partnerships, the EU can effectively enhance its influence and resilience within the global order, contributing to a more sustainable and equitable future.

In the medium to long term, the EU's approach to economic diplomacy must evolve into a symbol of trustworthy investment within the global landscape, effectively delivering on its commitment to high standards and sustainability. Achieving this objective necessitates a sustained commitment from both EU institutions and member states. To facilitate this transition, it is crucial for the EU to adopt a more strategic and integrated approach to international investments, harmonising its foreign policy, development efforts, and investment strategies into a coherent framework. By fostering genuine collaboration among these sectors, the EU can enhance its effectiveness in achieving its diplomatic goals. Furthermore, the EU's economic diplomacy should prioritise the establishment of diverse public-private partnerships, which are essential for generating impactful outcomes. Developing an ambitious pipeline of future investments will not only strengthen the EU's global presence but also reinforce its role as a reliable partner in fostering sustainable development. This integrated strategy will position the EU to deliver meaningful results in the evolving landscape of international economic relations.

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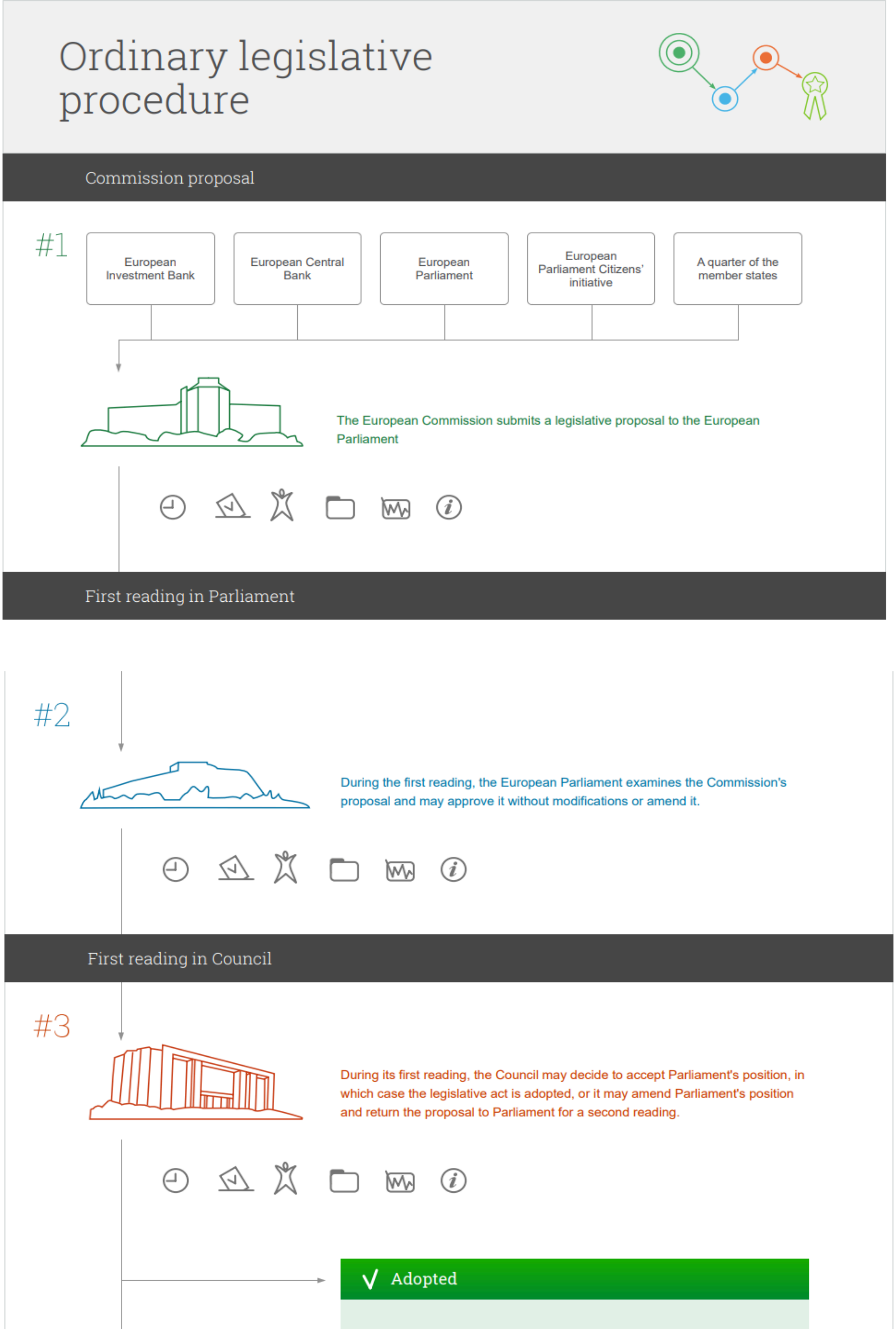
Appendix A - Ordinary legislative procedure



The legislative proposal **is adopted**.
The vast majority of proposals are adopted at this stage

Read more

Second reading in Parliament

#4

Parliament examines the Council's position and approves it, in which case the act is approved; or rejects it, in which case the act will not enter into force and the whole procedure is ended; or proposes amendments and returns the proposal to Council for a second reading.

√ Adopted

The legislative proposal **is adopted**.

Read more

✕ Not adopted

The legislative proposal **is not adopted**

Read more

Second reading in Council

#5

The Council examines Parliament's second reading position and either approves all of Parliament's amendments, meaning the act is adopted, or does not approve all amendments, leading to the convening of the Conciliation Committee.

√ Adopted

The legislative proposal **is adopted**.

Read more

✕ Not adopted

The legislative proposal **is not adopted**

Read more

Conciliation

#6

The Conciliation Committee, composed of an equal number of MEPs and Council representatives, tries to reach agreement on a joint text. If unsuccessful, the legislative act will not enter into force and the procedure is ended. If a joint text is agreed, it is forwarded to the European Parliament and Council for a third reading.

Not adopted

The legislative proposal **is not adopted**

Read more

Third reading in the European Parliament and Council

#7a

in Parliament

The European Parliament examines the joint text and votes in plenary. It cannot change the wording of the joint text. If it rejects it or fails to act on it, the act is not adopted and the procedure is ended. If it is approved by Parliament and Council, the act is adopted.

#7b

in Council

Council examines the joint text. It cannot change the wording. If it either rejects or does not act on it, the act will not enter into force and the procedure is ended. If it approves the text and the Parliament also approves it, the act is adopted

Not adopted

The legislative proposal **is not adopted**

Read more

Proposal adopted

The European Parliament examines the joint text and votes in plenary. It cannot change the wording of the joint text. If it rejects it or fails to act on it, the act is not adopted and the procedure is ended. If it is approved by Parliament and Council, the act is adopted.

- Regulations are directly binding throughout the EU as of the date set down in the Official Journal.
- Directives lay down end results to be achieved in every member state, but leaves it up to national governments to decide how to adapt their laws to achieve these goals. Each directive specifies the date by which the national laws must be adapted.
- Decisions apply in specific cases, involving particular authorities or individuals and are fully binding.

Proposal not adopted

If a legislative proposal is rejected at any stage of the procedure, or the Parliament and the Council cannot reach a compromise, the proposal is not adopted and the procedure is ended. A new procedure can start only with a new proposal from the Commission.

+ Glossary

Appendix B - EU Trade Agreements

Agreements in place

Country (Region)	Agreement	Status
Albania (Western Balkans)	Stabilisation and Association Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02009A0428(02)-20170201)	In force since 2009
Algeria	Association Agreement	In force since 2005
Andorra	Customs union (https://taxation-customs.ec.europa.eu/andorra-customs-unions-and-preferential-arrangements_en)	In force since 1991
Antigua and Barbuda (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Armenia	Comprehensive and Enhanced Partnership Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01999A0909%2801%29-20140301)	Provisionally applied since June 2018
Azerbaijan	Partnership and Cooperation Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01999A0917%2801%29-20091101)	In force since 1999, negotiations on modernisation began in 2017, on hold since 2019
Bahamas (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Barbados (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Belize (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Bosnia and Herzegovina (Western Balkans)	Stabilisation and Association Agreement	In force since 2015
Botswana (SADC)	Economic Partnership Agreement (https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016020)	Provisionnaly applied since 2016
Cameroon (Central Africa)	Interim Economic Partnership Agreement	Provisionally applied since 2014
Canada	Comprehensive Economic and Trade Agreement (CETA)	Provisionally applied since 2017
Chile	Association Agreement and Additional Protocol	In force since 2003, negotiations on modernisation began in 2017, on hold since 2019
Colombia (with Ecuador and Peru)	Trade Agreement	Provisionally applied since 2013
Comoros (ESA)	Interim Economic Partnership Agreement	Provisionally applied since 2019, negotiations on modernisation began in 2019
Costa Rica (Central America)	Association Agreement with a strong trade component	Provisionally applied since 2013
Côte d'Ivoire (West Africa)	Stepping stone Economic Partnership Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:22009A0303%2801%29)	Provisionally applied since 2016
Dominica (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Dominican Republic (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Ecuador (with Colombia and Peru)	Trade Agreement	Provisionally applied since 2013
Egypt	Association Agreement	In force since 2004
El Salvador (Central America)	Association Agreement with a strong trade component	Provisionally applied since 2013
Eswatini (SADC)	Economic Partnership Agreement (https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016020)	Provisionally applied since 2016
Faroe Islands	Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01997A0222%2801%29-20210901)	In force since 1997
Fiji (Pacific)	Interim Partnership Agreement	Provisionally applied since 2014
Georgia	Association Agreement	In force since 2016
Ghana (West Africa)	Stepping stone Economic Partnership Agreement	Provisionally applied since 2016
Grenada (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Guatemala (Central America)	Association Agreement with a strong trade component	Provisionally applied since 2013
Guyana (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Honduras (Central America)	Association Agreement with a strong trade component	Provisionally applied since 2013
Iceland	Economic Area Agreement (https://www.efta.int/Legal-Text/EEA-Agreement-1327)	In force since 1994
Israel	Association Agreement	In force since 2000
Iraq	Partnership and Cooperation Agreement	Provisionally applied since 2012
Jamaica (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Japan	Global agreement (/eu-trade-relationships-country-and-region/countries-and-regions/japan/eu-japan-agreement_en)	In force since 2019
Jordan	Association Agreement	In force since 2002
Kazakhstan	Enhanced Partnership and Cooperation Agreement	Provisionally applied since 2016
Kosovo*	Stabilisation and Association Agreement	In force since 2016
Lebanon	Association Agreement	In force since 2006
Lesotho (SADC)	Economic Partnership Agreement (https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016020)	Provisionally applied since 2016
Liechtenstein	Economic Area Agreement (https://www.efta.int/Legal-Text/EEA-Agreement-1327)	In force since 1995
Madagascar (ESA)	Economic Partnership Agreement	Provisionally applied since 2012, negotiations on modernisation began in 2019
Mauritius (ESA)	Economic Partnership Agreement	Provisionally applied since 2012, negotiations on modernisation began in 2019
Mexico	Global Agreement	In force since 2000, negotiations on modernisation began in 2016, 'Agreement in principle' on the trade part reached in 2018
Moldova	Association Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014A0830%2801%29-20211116)	In force since 2016
Montenegro (Western Balkans)	Stabilisation and Association Agreement	In force since 2010
Morocco	Association Agreement	In force since 2000, negotiations on modernisation began in 2013, on hold since 2014
Mozambique (SADC)	Economic Partnership Agreement (https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016020)	Provisionally applied since 2018
Namibia (SADC)	Economic Partnership Agreement (https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2016020)	Provisionally applied since 2019
Nicaragua (Central America)	Association Agreement with a strong trade component	Provisionally applied since 2013
North Macedonia (Western Balkans)	Stabilisation and Association Agreement	In force since 2004

Norway	Economic Area Agreement (https://www.efta.int/Legal-Text/EEA-Agreement-1327)	In force since 1994
Palestinian Authority	Interim Association Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A31997D0430)	In force since 1997
Papua New Guinea (with Pacific) (/eu-trade-relationships-country-and-region/countries-and-regions/pacific_en)	Interim Partnership Agreement	Provisionally applied since 2013
Madagascar (ESA)	Economic Partnership Agreement	Provisionally applied since 2009
Peru (with Colombia and Ecuador)	Trade Agreement	Provisionally applied since 2013
Samoa (Pacific)	Economic Partnership Agreement	Provisionally applied since 2018
San Marino	Customs union (https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:22002A0328%2801%29:EN:HTML)	In force since 1991
Serbia (Western Balkans)	Stabilisation and Association Agreement	In force since 2013
Seychelles (ESA)	Economic Partnership Agreement	Provisionally applied since 2012, negotiations on modernisation began in 2019
Singapore	Free Trade Agreement (https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/singapore/eu-singapore-agreement/texts-agreements_en)	In force since 2019
Solomon Islands (Pacific)	Economic Partnership Agreement (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2009:272:FULL&from=EN)	Provisionally applied since 2020
South Africa	Economic Partnership Agreement	Provisionally applied since 2016
South Korea	Free Trade Agreement	In force since 2015
St Kitts and Nevis (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
St Lucia (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
St Vincent and the Grenadines (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Suriname (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Switzerland	Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A01972A0722%2803%29-20230701)	In force since 1973
Trinidad and Tobago (CARIFORUM)	Economic Partnership Agreement	Provisionally applied since 2008
Tunisia	Association Agreement	In force since 1998, negotiations on modernisation began in 2015, on hold since 2019
Turkey	Customs union (https://www.eeas.europa.eu/turkey/european-union-and-turkey_en#10478)	In force since 1995
Ukraine	Deep and Comprehensive Free Trade Agreement Association Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014A0529%2801%29-20230424)	Provisionally applied since 2016
United Kingdom (/eu-trade-relationships-country-and-region/countries-and-regions/united-kingdom_en)	Trade and Cooperation Agreement (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021A0430%2801%29-20211201)	In force since 2021
Vietnam	Free Trade Agreement	In force since 2020
Zimbabwe (ESA)	Economic Partnership Agreement	Provisionally applied since 2012, negotiations on modernisation began in 2019

** This designation is without prejudice to positions on status, and in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.*

Agreements being adopted or ratified

In some circumstances trade negotiations with a trade partner have been concluded, but have not been either signed or ratified yet. This means that although the negotiations have finished, no part of the agreement is in place yet.

Country (Region)	Agreement pending	Status
Argentina (Mercosur)	Mercosur Association Agreement *(https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/text-agreement_en)*	Negotiations concluded in June 2019
Benin (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Brazil (Mercosur)	Mercosur Association Agreement *(https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/text-agreement_en)*	Negotiations concluded in June 2019
Burkina Faso (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Burundi (EAC)	Economic Partnership Agreement *(https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/4f8d4f46-48ba-45d8-a1d2-a1a934b56949/details?download=true)*	Has not signed or ratified agreement
Cabo Verde (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Gambia (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Guinea (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Guinea-Bisseau (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Haiti (CARIFORUM)	Economic Partnership Agreement *(http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2008034)*	Signed, but has not ratified agreement
Kenya (EAC)	Economic Partnership Agreement *(https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/4f8d4f46-48ba-45d8-a1d2-a1a934b56949/details?download=true)*	Signed and ratified, provisional application when all EAC countries sign and ratify
Liberia (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Mali (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Mauritania (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
New Zealand	Free Trade Agreement *(/eu-trade-relationships-country-and-region/countries-and-regions/new-zealand/eu-new-zealand-agreement_en)*	Negotiations concluded in June 2022
Niger (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Nigeria (West Africa) *(/eu-trade-relationships-country-and-region/countries-and-regions/west-africa_en)*	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Has not signed or ratified agreement
Paraguay (Mercosur)	Mercosur Association Agreement *(https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/text-agreement_en)*	Negotiations concluded in June 2019
Rwanda (EAC)	Economic Partnership Agreement *(https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/4f8d4f46-48ba-45d8-a1d2-a1a934b56949/details?download=true)*	Signed, provisional application when all EAC countries sign and ratify
Senegal (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Sierra Leone (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Tanzania (EAC)	Economic Partnership Agreement *(https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/4f8d4f46-48ba-45d8-a1d2-a1a934b56949/details?download=true)*	Has not signed or ratified agreement
Togo (West Africa)	Economic Partnership Agreement *(https://data.consilium.europa.eu/doc/document/ST-13370-2014-ADD-1/en/pdf)*	Signed, awaiting signature from all parties
Uganda (EAC)	Economic Partnership Agreement *(https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/4f8d4f46-48ba-45d8-a1d2-a1a934b56949/details?download=true)*	Has not signed or ratified agreement
Uruguay (Mercosur)	Mercosur Association Agreement *(https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement/text-agreement_en)*	Negotiations concluded in June 2019

Agreements being negotiated

The EU has trade agreements in place with these countries/regions, but both sides are now negotiating an update.

Country (Region)	New agreement being negotiated	Status
Australia	Australia Agreement *(/eu-trade-relationships-country-and-region/countries-and-regions/australia/eu-australia-agreement_en)*	Negotiations launched in 2018
China	EU-China investment agreement *(/eu-trade-relationships-country-and-region/countries-and-regions/china/eu-china-agreement_en)*	Negotiations launched in 2013
India *(/eu-trade-relationships-country-and-region/countries-and-regions/india_en)*	Free Trade Agreement, Investment Protection Agreement and Geographical Indications Agreement *(/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement_en)*	Negotiations started in 2007. They paused in 2013, before restarting in 2022.
Indonesia	Free Trade Agreement *(/eu-trade-relationships-country-and-region/countries-and-regions/indonesia/eu-indonesia-agreement_en)*	Negotiations launched in 2016
Philippines	Free Trade Agreement *(https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines/eu-philippines-agreement/documents_en)*	Negotiations launched in 2015
Singapore *(/eu-trade-relationships-country-and-region/countries-and-regions/singapore_en)*	Digital Trade Agreement	Negotiations launched in July 2023
Thailand *(/eu-trade-relationships-country-and-region/countries-and-regions/thailand_en)*	Free Trade Agreement	Negotiations started in 2013, paused in 2014, and resumed in 2023.

Agreements on hold

Country (Region)	Agreement	Status
Bahrain (GCC)	Free Trade Agreement	Negotiations started in 1990, suspended since 2008
Central African Republic (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
Chad (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
Congo (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
Djibouti (ESA)	Economic Partnership Agreement	Negotiations started in 2004, paused until further notice in 2011
Equatorial Guinea (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
Ethiopia (ESA)	Economic Partnership Agreement	Negotiations started in 2004, paused until further notice in 2011
Gabon (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
India	Free Trade Agreement	
Kuwait (GCC)	Free Trade Agreement	Negotiations started in 1990, suspended since 2008
Malawi (ESA)	Economic Partnership Agreement	Negotiations started in 2004, paused until further notice in 2011
Malaysia	Free Trade Agreement	Negotiations started in 2010, paused since 2012
Myanmar	Investment Protection Agreement	Negotiations launched in 2015
Oman (GCC)	Free Trade Agreement	Negotiations started in 1990, suspended since 2008
Qatar (GCC)	Free Trade Agreement	Negotiations started in 1990, suspended since 2008
Republic Democratic of Congo (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
São Tomé & Principe (Central Africa)	Economic Partnership Agreement	Negotiations started in 2003, paused until further notice in 2011
Saudi Arabia (GCC)	Free Trade Agreement	Negotiations started in 1990, suspended since 2008
Somalia (ESA)	Economic Partnership Agreement	Negotiations started in 2004, paused until further notice in 2011
Sudan (ESA)	Economic Partnership Agreement	Negotiations started in 2004, paused until further notice in 2011
United Arab Emirates (GCC)	Free Trade Agreement	Negotiations started in 1990, suspended since 2008
Zambia (ESA)	Economic Partnership Agreement	Negotiations started in 2004, paused until further notice in 2011

Appendix C - EU Sanctions

EU Sanctions Map

Country or Category	Specification (Type)	Adopt... by	Restrictive measures	List	Legal acts	Guid...
Afghanistan	Restrictive measures imposed with respect to the Taliban	UN	• Arms export • Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Belarus	Restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine	EU	• Arms export • Asset freeze and prohibition to make funds available • Embargo on dual-use goods • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Flights, airports, aircrafts • Road transport • Restrictions on admission • Restrictions on equipment used for internal repression • Aviation or the space industry • Cement • Firearms, their parts and essential components and ammunition • Iron and steel • Machinery and electrical equipment • Mineral products • Potassium chloride • Rubber • Telecommunications equipment • Tobacco • Wood	📎	📎	📎
Bosnia & Herzegovina	Restrictive measures in view of the situation in Bosnia and Herzegovina	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission		📎	📎
Burundi	Restrictive measures in view of the situation in Burundi	EU	• Asset freeze and prohibition to make funds available • Prohibition to satisfy claims • Restrictions on admission	📎	📎	📎
Central African Republic	Restrictive measures in view of the situation in the Central African Republic	UN	• Arms export • Asset freeze and prohibition to make funds available • Prohibition to satisfy claims • Restrictions on admission	📎	📎	📎
Chemical weapons	Restrictive measures against the proliferation and use of chemical weapons	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
China	Specific restrictive measures in relation to the events at the Tiananmen Square protests of 1989	EU	• Arms embargo	📎		📎
Cyber-attacks	Restrictive measures against cyber-attacks threatening the Union or its Member States	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
			• Arms export • Arms procurement • Asset freeze and prohibition to make funds available			

Democratic People's Republic of Korea (DPRK – North Korea)	Restrictive measures in relation to the non-proliferation of the weapons of mass destruction (WMD)	UN and EU	• Dual-use goods export • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Flights, airports, aircrafts • Inspections • Inspections • Investments • Investments • Other restrictions • Other restrictions • Other restrictions • Ports and vessels • Ports and vessels • Ports and vessels • Ports and vessels • Ports and vessels • Ports and vessels • Restrictions on admission • Restrictions on goods • Restrictions on goods • Restrictions on goods • Restrictions on goods • Aviation and jet fuel • Crude oil • Earth and stone • Food and agricultural products • Gold, precious metals, diamonds • Luxury goods • Machinery and electrical equipment • Other items • Other items • Other items • Petrol products • Refined petroleum products • Seafood			
Iran	Restrictive measures in relation to serious human rights violations in Iran (HR)	EU	• Restrictions on equipment used for internal repression • Telecommunications equipment			
Iran	Restrictive measures in relation to the non-proliferation of weapons of mass destruction (WMD)	UN and EU	• Arms export • Arms procurement • Asset freeze and prohibition to make funds available • Embargo on dual-use goods • Inspections • Prohibition to satisfy claims • Restrictions on admission • Restrictions on goods • Restrictions on goods • Restrictions on goods • Restrictions on goods			
Iran	Restrictive measures in view of Iran's military support of Russia's war of aggression against Ukraine	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission • Other items			
Iraq	Restrictive measures on Iraq	UN	• Arms embargo • Asset freeze and prohibition to make funds available • Cultural property			
Lebanon	Restrictive measures in relation to the 14 February 2005 terrorist bombing in Beirut, Lebanon	UN	• Asset freeze and prohibition to make funds available • Restrictions on admission			
Lebanon	Restrictive measures in view of the situation in Lebanon	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission			
Lebanon	Restrictive measures in relation to the UN Security Council Resolution 1701 (2006) on Lebanon	UN	• Arms export			
			• Arms export • Arms procurement			

Libya	Restrictive measures in view of the situation in Libya	UN and EU	• Asset freeze and prohibition to make funds available • Flights, airports, aircrafts • Inspections • Ports and vessels • Ports and vessels • Ports and vessels • Prohibition to satisfy claims • Restrictions on admission • Restrictions on equipment used for internal repression • Vessels • Vigilance	📎	📎	📎
Libya	Prohibiting the satisfying of certain claims in relation to transactions that have been prohibited by the UN Security Council Resolution 883 (1993) and related resolutions	EU	• Prohibition to satisfy claims		📎	📎
Mali	Restrictive measures in view of the situation in Mali	UN and EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Moldova	Restrictive measures in relation to the campaign against Latinscript schools in the Transnistrian region	EU	• Restrictions on admission	📎	📎	📎
Moldova	Restrictive measures in view of actions destabilising the Republic of Moldova	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Montenegro	Prohibiting the satisfying of certain claims in relation to transactions that have been prohibited by the UN Security Council Resolution 757(1992) and related resolutions	UN and EU	• Prohibition to satisfy claims		📎	📎
			• Arms export • Asset freeze and prohibition to make funds available • Dual-use goods export			
Myanmar (Burma)	Restrictive measures in view of the situation in Myanmar/Burma	EU	• Restrictions on admission • Restrictions on equipment used for internal repression • Telecommunications equipment • Restrictions on military training and military cooperation	📎	📎	📎
Nicaragua	Restrictive measures in view of the situation in Nicaragua	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Niger	Restrictive measures in view of the situation in Niger	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Russia	Restrictive measures in view of Russia's actions destabilising the situation in Ukraine (sectoral restrictive measures)	EU	• Arms export • Arms import • Dual-use goods export • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Flights, airports, aircrafts • Critical infrastructure • Media ban • Road transport	📎	📎	📎

			• Storage capacity • Ports and vessels • Ports and vessels • Ports and vessels • Prohibition to satisfy claims • Restrictions on goods • Restrictions on goods • Aviation or the space industry • Crude oil • Firearms, their parts and essential components and ammunition • Gold • Iron and steel • Luxury goods • Maritime navigation • Oil refining • Other items • Restrictions on services			
Serbia	Prohibiting the satisfying of certain claims in relation to transactions that have been prohibited by the UN Security Council Resolution 757(1992) and related resolutions	UN and EU	• Prohibition to satisfy claims		📎	📎
Somalia	Restrictive measures against Somalia	UN	• Arms export • Asset freeze and prohibition to make funds available • Inspections • Restrictions on admission • Other items • Vigilance	📎	📎	📎
South Sudan	Restrictive measures in view of the situation in South Sudan	UN and EU	• Arms export • Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Sudan	Restrictive measures in view of activities undermining the stability and the political transition of Sudan	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Sudan	Restrictive measures in view of the situation in Sudan	UN and EU	• Arms export • Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Syria	Restrictive measures in relation to the 14 February 2005 terrorist bombing in Beirut, Lebanon	UN	• Asset freeze and prohibition to make funds available • Restrictions on admission		📎	📎
Syria	Restrictive measures against Syria	EU	• Arms import • Asset freeze and prohibition to make funds available • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Financial measures • Flights, airports, aircrafts • Inspections • Investments • Investments • Prohibition to satisfy claims • Restrictions on admission • Restrictions on equipment used for internal repression • Restrictions on goods • Aviation and jet fuel • Cultural property • Gold, precious metals, diamonds • Luxury goods • Other items • Other items • Petrol products • Telecommunications equipment	📎	📎	📎
Terrorism	Specific measures to combat terrorism	EU	• Asset freeze and prohibition to make funds available	📎	📎	📎

Terrorism	Restrictive measures with respect to ISIL (Da'esh) and Al-Qaida (ISIL/Daesh & Al-Qaida)	UN and EU	• Arms export • Asset freeze and prohibition to make funds available • Prohibition to satisfy claims • Restrictions on admission	📎	📎	📎
Tunisia	Misappropriation of state funds of Tunisia (MSF)	EU	• Asset freeze and prohibition to make funds available	📎	📎	📎
Turkey	Restrictive measures in view of Turkey's unauthorised drilling activities in the Eastern Mediterranean	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
Ukraine	Restrictive measures in response to the illegal annexation of Crimea and Sevastopol (Crimea)	EU	• Financial measures • Financial measures • Investments • Investments • Restrictions on goods • Restrictions on goods • Restrictions on services • Restrictions on services		📎	📎
Ukraine	Misappropriation of state funds of Ukraine (MSF)	EU	• Asset freeze and prohibition to make funds available	📎	📎	📎
Ukraine	Restrictive measures in response to the illegal recognition, occupation or annexation by the Russian Federation of certain non-government controlled areas of Ukraine	EU	• Financial measures • Financial measures • Investments • Investments • Restrictions on goods • Restrictions on goods • Restrictions on services • Restrictions on services		📎	📎
Ukraine	Restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine (Territorial integrity)	EU	• Asset freeze and prohibition to make funds available • Restrictions on admission	📎	📎	📎
United States	Measures protecting against the effects of the extra-territorial application of certain legislation adopted by the US	EU			📎	📎
Venezuela	Restrictive measures in view of the situation in Venezuela	EU	• Arms export • Asset freeze and prohibition to make funds available • Restrictions on admission • Restrictions on equipment used for internal repression • Telecommunications equipment	📎	📎	📎
Yemen	Restrictive measures in view of the situation in Yemen	UN	• Arms export • Asset freeze and prohibition to make funds available • Inspections • Restrictions on admission	📎	📎	📎
Zimbabwe	Restrictive measures in view of the situation in Zimbabwe	EU	• Arms export • Asset freeze and prohibition to make funds available • Restrictions on admission • Restrictions on equipment used for internal repression	📎	📎	📎