THE EU AS A REGION-BUILDER BEYOND ITS BORDERS?

An analysis of the EU's promotion of regional cooperation in the Western Balkans and Mercosur.

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Abstract in English

The European Union's enduring belief in the virtues of integration as an instrument for peace and prosperity has nurtured policies that seek to promote cooperation and integration in almost every other region of the world. This thesis investigates whether, how and to what extent these policies have been successful in promoting regional cooperation beyond the EU's own borders. Among all regions towards which the EU pursues such a policy, the study selects two with diverse dependency on the EU for the empirical analysis: the Western Balkans and Mercosur.

In contrast to previous studies, often characterised by a systemic argumentation, this analysis develops a micro-level approach. This approach focuses on the traceability of specific EU influences and allows to empirically assess the EU's impact. Building upon on diffusion theories, the analytical approach spells out stylised paths of EU influence and tests these on individual instances of institutional change in the two regions selected. Using original data acquired in interviews with policy-makers and through document analysis, the study traces whether and to what extent EU activities and influences played a role in seven cases of institutional change across the two regions. Building on the results of the case studies, a cross-case analysis examines the prevalence of different EU influences and the role of local conditions.

The study finds that EU influence on regional cooperation beyond its borders is strongest when it operates with a mixture of (technical) assistance and the proactive provision of lessons and experiences that are taken up by its partners. Its track record is generally positive in terms of influencing institutional change, but it often lacks political influence (or will) to shape the contexts in which such institutions operate. Quite surprisingly, EU impact does not necessarily depend on the degree of economic or political influence upon the region concerned. In fact, the EU was – on average – more effective in the Mercosur region than in the Western Balkans. Instead, the EU's success in promoting its preferred institutional change is most often contingent on a congruence between domestic incentives in the region, the EU's ability and/or willingness to accommodate these and its patience to rely on political windows of opportunity.

Abstract in Czech

Trvalé přesvědčení Evropské unie o přínosech integrace jako nástroje míru a prosperity je základem politik, které se snaží prosazovat spolupráci a integraci téměř ve všech dalších regionech světa. Tato práce zkoumá, zda, jak a do jaké míry byly tyto politiky úspěšné v prosazování regionální spolupráce za hranicemi EU. Ze všech regionů, vůči nimž EU takovou politiku sleduje, jsme pro účely empirické analýzy v této práci zvolili dva s rozdílnou mírou závislosti na EU: západní Balkán a Mercosur.

Na rozdíl od předchozích prací, pro něž je často charakteristická systémová argumentace, tato analýza přistupuje k tématu z pohledu mikroroviny. Tento přístup se zaměřuje na sledovatelnost konkrétních vlivů EU a umožňuje empiricky posoudit vliv EU. Analytický přístup vychází z teorie šíření inovací, objasňuje stylizované cesty vlivu EU a zkoumá u nich jednotlivé případy institucionálních změn ve dvou vybraných regionech. Za využití původních dat získaných v rozhovorech s tvůrci politik a prostřednictvím analýzy dokumentů studie sleduje, zda a do jaké míry hrály roli činnosti a vlivy EU v sedmi případech institucionálních změn v obou regionech. Na základě výsledků případových studií je v cross-case analýze zjišťován výskyt různých vlivů EU a role místních podmínek.

V práci konstatujeme, že vliv EU na regionální spolupráci za hranicemi Evropské unie je nejsilnější, pokud je využita kombinace (technické) pomoci a proaktivního poskytování znalostí a zkušeností, z nichž partneři čerpají. Dosavadní výsledky jsou obecně pozitivní, pokud jde o vliv na institucionální změny, často ale chybí politický vliv (či vůle) utvářet kontext pro působení takových institucí. Je poměrně překvapivé, že vliv EU nutně nezávisí na stupni ekonomického či politického vlivu na daný region. Evropská unie byla – průměrně – efektivnější v regionu Mercosur než na západním Balkáně. Úspěch EU při prosazování preferované institucionální změny místo toho nejčastěji závisí na souladu mezi domácími pobídkami v regionu, schopnosti, resp. ochotě EU je přijmout a její trpělivosti spoléhat se na okna politických příležitostí.

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Contents in brief

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List of abbreviations and acronyms

ARF	ASEAN Regional Forum
ASEAN	Association of South-East Asian Nations
ASEM	Asia-Europe Meeting
AU	African Union
BiH	Bosnia and Herzegovina
CCP	Common Commercial Policy (of the EU)
CELAC	Comunidad de Estados Latinoamericanos y Caribeños / Community of Latin American and Caribbean States
CFSP	Common Foreign and Security Policy (of the EU)
CMC	Common Market Council (highest decision-making body of Mercosur)
COM	European Commission
CPC	Joint Parliamentary Commission (of Mercosur)
CRPM	Comité de Representantes Permanentes del Mercosur / Committee of Permanent Representatives of Mercosur
CSDP	Common Security and Defence Policy (of the EU)
DAC	Development Assistance Committee (of the OECD)
DG AIDCO	EuropeAid Cooperation Office (of the European Commission)
DG CLIMA	Directorate-General (of the European Commission) for Climate Action
DG DEV	Directorate-General (of the European Commission) for Development and Relations with African, Caribbean and Pacific States
DG DEVCO	Directorate-General (of the European Commission) for Development and Cooperation – EuropeAid
DG ECHO	Directorate-General (of the European Commission) for Humanitarian Aid

DG ELARG	Directorate-General (of the European Commission) for Enlargement
DG ENV	Directorate-General (of the European Commission) for Environment
DG RELEX	Directorate-General (of the European Commission) for External Relations
DG Trade	Directorate-General (of the European Commission) for Trade
EEAS	European External Action Service
EEC	European Economic Community
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EU	European Union
FAC	Foreign Affairs Council (of the EU)
FDI	Foreign Direct Investment
FPI	Service (of the European Commission) for Foreign Policy Instruments
GMM	Macroeconomic Monitoring Group (of Mercosur)
H	Hypothesis
HR/VP	High-Representative of the European Union for Foreign and Security Policy and Vice-President of the European Commission
IFI	International Financial Institution
IGO	Intergovernmental Organisation
IPA	Instrument for Pre-Accession Assistance
IR	International Relations (as a field of study of political science)
Mercosur	Mercado Común del Sur / Common Market of the South
MFF	Multiannual Financial Framework
NAFTA	North American Free Trade Area
NGO	Non-Governmental Organisation
ODA	Official Development Assistance

OECD	Organisation for Economic Co-operation and Development
RCC	Regional Cooperation Council
RELEX	Relations Extérieures
RQ	Research question
SAA	Stabilisation and Association Agreement
SADC	Southern African Development Community
SAP	Stabilisation and Association Process
SEECP	South-East European Cooperation Process
SP	Stability Pact for South-Eastern Europe
SRQ	Sub-research question
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TRTA	Trade-related technical assistance
WGI	Worldwide Governance Indicators project
UN	United Nations
USA / US	United States of America

Part I Introduction

1 Introduction

> *"That is why despite its imperfections, the European Union can be, and indeed is, a powerful inspiration for many around the world. Because the challenges faced from one region to the other may differ in scale but they do not differ in nature. […] This federalist and cosmopolitan vision is one of the most important contributions that the European Union can bring to a global order in the making."*
> (van Rompuy and Barroso 2012 - EU Nobel Prize acceptance speech)

By all accounts, the European Union (EU) is the front-runner of regional cooperation and integration in the world. And – as illustrated through the paradigmatic quote above – its leaders and institutions are equally enthusiastic about its attractiveness beyond its own borders.

The founders of what would later become the EU conceived of a united Europe with the aim of pacifying the continent in the aftermath of the Second World War – and rendering another war impossible. Lack of cooperation between European states – and especially between France and Germany – was deemed the underlying cause for two consecutive world wars. As Robert Schuman put it when announcing one of the triggers for European integration: "L'Europe n'a pas été faite, nous avons eu la guerre" (Schuman 2014 [1950]). The success of the European project convinced future Europeans that the same model that had united the former arch-enemies France and Germany and helped to close the wounds of European division would also be applicable to other world regions torn by conflict or trapped in poverty.

With ups and downs often motivated by the current state of European integration, this belief has remained present for decades – despite the wide-spread conviction that European integration is a '*sui generis*' phenomenon. This belief has nurtured policies that aim at promoting regional cooperation and integration in almost all other regions of the world. However, it is by no means self-evident that an endeavour that is seen as largely successful in Europe will also work elsewhere: not only do the conditions in other world regions vary from those in post-World War and contemporary Europe; the problems and opportunities encountered by local policy-makers also differ, as does their willingness to engage in regional cooperation and even integration.

The tension between the EU's desire to support regional cooperation and integration beyond its borders and the exceptional nature that is often ascribed to the EU stands at the centre of this research project. This study analyses empirically whether and to what extent the EU has been successful in promoting regional cooperation and integration. The following section of this introduction expands on the practical and academic motivation behind this project, laying out how this study seeks to address existing gaps in policy and research. Subsequently, section 1.2 presents the research questions addressed in this work and section 1.3 lays out the research design that will be developed to answer that very question. The introduction concludes with a plan of the study that presents the central arguments made in each chapter (section 1.4).

1.1 Research interest and relevance

This study sets out to assess the EU's *true* relevance and success in influencing regional cooperation and – ultimately – integration in other areas of the globe. Success is thereby defined as the attainment of the objectives the EU has set itself in terms of promoting regional cooperation and integration. Formulated differently, this thesis assesses the EU's role as a region-builder. Based on previous works that have used the term, region-building is understood as a politically-backed community-building project comparable to state-building (Langenhove 2011: 47; Kühnhardt 2010: 12).[1] The following paragraphs discuss why this research is timely both from a practical and an academic perspective.

1.1.1 Practical and political relevance

The political relevance of examining the EU's role as a region-builder follows from the fact that promotion of regional cooperation and integration belongs to the EU's oldest endeavours to embark on common external policies.[2] The encouragement of regional cooperation and integration has been a golden thread ever since, running through many external EU policies – and distinguishes these from the foreign policies of both EU member

[1] Quite obviously, region-building can be driven both from within the region and externally. This study focuses on the external dimension and, more specifically, on the EU's role therein.

[2] A search in the treaty database of the European External Action Service (EEAS) reveals that the first contractual agreements aiming at promoting regional cooperation and integration were signed from 1980 onwards, with an agreement between the European Economic Community (EEC) and the ASEAN states being the first one (EEAS 2014b; 2014a).

states and other international actors. This long-standing experience makes the case especially relevant to better assess two intertwined issues of central importance to the EU's standing in the international arena: firstly, its chances of promoting regional cooperation and integration in an increasingly multipolar world and, secondly, in more general terms, its performance as a contested foreign policy actor.

The EU's contribution to a 'negotiated wold order'? – promoting regional cooperation in times of emerging powers

As the quote at the beginning of this chapter shows, the EU's nature as arguably the most developed regional integration endeavour influences its self-portrayal as a foreign-policy actor. However, the goal of encouraging regional integration and cooperation beyond the EU's borders is not pursued just by the EU leaders and institutions cited above. It is rather a general and long-lasting objective embodied in EU external relations (almost) since the outset and a goal that distinguishes the EU from other actors.[3] This goal is mentioned to varying extents in the Treaty on European Union (2012a: 21), the EU Global Strategy (European Union 2016: 32–9), it's preceding European Security Strategy (Council 2003: 9), the EU's development policy objectives (Commission 2011a: 7–8; European Parliament, Council & Commission 2005: 49) and in regional strategy papers that sketch out the EU's policy priorities towards specific regions (e.g. European Commission 2008; 2007d: 1; 2007e: 10–2).[4] The European Council was even more outspoken in this regard. In its 2001 Laeken Declaration that convened the European Convention to draft the Constitutional Treaty, it also tasked the Convention to address how to "develop the Union into [...] a model in the new, multipolar world" (European Council 2001: 21).

As this thesis – and especially its second chapter – will show, this programmatic endeavour is not just pure rhetoric. It also influences real practice. The EU is without a doubt the world's most zealous actor in promoting regional cooperation and integration. It does so as part of its own enlargement policy, which sees states being gradually integrated into the EU, but also when interacting with its wider neighbourhood. Here, different

[3] Already in 1962, then President of the EEC Walter Hallstein sketched out in a speech how the nascent economic integration schemes in Latin America could provide a "domaine possible de coopération future" (1962: 3–4) and how these could learn from European experiences (1962: 10).
[4] The cited strategy papers were drawn up for the funding period 2007-2013. From 2014 onwards, country or regional strategy papers are only used exceptionally (EEAS / Commission 2012: 10). Therefore no newer papers were available at the time of writing.

regional initiatives have been developed in the context of the European Neighbourhood Policy (ENP) – a policy that seeks to strengthen ties between the EU and its neighbours in Northern Africa and the Levant as well as in Eastern Europe. On a global level, the EU has promoted the further regional integration of organisations such as the Southern African Development Community (SADC), the Association of South-East Asian Nations (ASEAN) or the Andean Community (see for example Haubrich Seco 2011).

Against this background, two aspects make this field especially interesting from a practice-oriented perspective on EU external action. Firstly, the fact that the promotion of regional cooperation – as a general "conviction or even obsession" [#05, EEAS senior official][5] embodied in the EU's external action – is pursued across different external policies such as trade policy and the Common Foreign and Security Policy (CFSP). This implies that, in this particular field, the EU does in principle live up to its commitment of overcoming the divide between the more technical fields of EU external action – such as development, trade or climate policy – and traditional foreign policy as embodied in the CFSP. In light of the repeated stress placed on consistency of EU external action in the Treaty of Lisbon (TEU 2012: Art. 21, Art. 18(4)), it becomes all the more interesting to assess whether the EU does truly achieve this objective for which it has been combining numerous of its instruments for decades already.[6]

The second aspect that makes the study of EU promotion of regional cooperation a timely and relevant endeavour is the changing pattern of international relations. Promoting regional cooperation and integration is a policy that is increasingly being challenged by the evolving reality of international relations. A brief look at global gross domestic product (GDP) shares reveals the extent to which international patterns are changing. While in the year 2005, the EU, the US, Japan and Canada made up for 49 % of the world's GDP, in 2017 their share had dropped to 39 %. Projections see it at 34 % in 2023 (International Monetary

[5] Interviews are an important source in this study. They are quoted in square brackets with a reference to a numerical code and the position of the interviewee. Whenever an interview is repeatedly referenced in the same section, only the code and *ibid.* are quoted. Using the code, further information on the interview can be found in Annex B.

[6] Chapter two will lay out which policies the EU employs to encourage regional integration and towards which regions it acts.

Fund 2016).[7] In line with economic developments, traditionally Western-dominated fora like the G8 have lost relevance in favour of broader groupings that include emerging actors such as the G20. As new emerging and regional powers increase their relevance and seek to at least share power and global influence with the traditionally dominant West, it becomes more difficult for the EU and others to set the rules for mutual engagement. Because power is increasingly split among different actors and less concentrated on the West, it becomes more and more difficult for the EU to engage with partners in the framework of their regional groups and clusters without granting at least the most important of them a privileged role as *primus inter pares*. States such as Brazil, South Africa, Indonesia and Nigeria, which were dealt with mainly in the context of their regional groupings, do now call for an individual relationship with the EU. No less marked are demands from EU politicians and experts that the EU engage with such partners on a privileged basis to retain influence in global affairs (Brok 2014: 7; e.g. Renard 2012; Keukeleire and Hooijmaaijers 2014: 14).

These calls have not remained unheard by the EU. So-called 'strategic partnerships' with leading regional and global actors are its most visible reaction to these developments. The agendas of these partnerships deal with bilateral matters, but also seek to reach a common understanding on regional and global issues. But, while these relationships reinforce contacts with emerging and established powers, they may also conflict with the broader goal of encouraging regional cooperation because they single out individual states. As global power shifts make stronger bilateral ties with leading actors indispensable, the EU's engagement in 'effective multilateralism'[8] and for regional cooperation – both formats in which its own role is more likely to be recognised by others (cf. Costa 2013: 1224–5) – could be compromised. These tensions between bilateral and multilateral and regional approaches are also present in other fields of EU foreign policy. At the time of writing, discussions are mounting on the adequacy of the multilateral tracks of the ENP: the Eastern Partnership and the Union for the Mediterranean. While these instruments seek to improve regional cooperation between EU neighbours with sometimes recent histories of conflict behind them, critics argue that they force states with very different situations into a

[7] The IMF data accounts for growing EU membership, i.e. the data for 2000 and 2005 does include all current 28 EU members. The shares are calculated on the basis of PPP (purchasing power parity) adjusted data.

[8] The term 'effective multilateralism' stems from the 2003 European Security Strategy and is described in that document as "the development of a stronger international society, well-functioning international institutions and a rule-based international order" (Council 2003: 9).

common straightjacket and thus call for stronger differentiation (Tocci 2014: 5; Leigh 2014: 4; Non-paper DE,PL,UK et al. 2014; AFET 2014; see also European Commission and High Representative of the European Union for Foreign Affairs and Security Policy 2017). Instead of encouraging meaningful regional cooperation, this approach may well force all states to cooperate at the speed of the lowest common denominator – or to form smaller groups that bring the idea of regional cooperation *ad absurdum*. In the context of enlargement policy, regional cooperation is also not undisputed. While its reputation is certainly more powerful than in the wider neighbourhood – it is often seen as a training ground for future EU membership –, detractors contend that it can take some countries hostage of the limited progress of their peers (cf. Bechev 2011: 90–1).

These situations do not only interfere with the EU's objective of encouraging regional cooperation – they also shake some of the most deeply grounded principles on which EU external action is built. The EU's promotion of regional cooperation is one among several endeavours aimed at building what has been termed a "negotiated world order" (Smith 2013: 659) in which multilateralism and rules would shape a more foreseeable and resilient international system.[9] As Michael Smith aptly puts it, the EU pursues a "post-sovereign diplomacy and approach to governance in a world where many actors are resolutely 'sovereignist' in their approaches" (2013: 663). If we find the EU to be successful in promoting regional cooperation beyond its borders, it may have made a contribution to a "negotiated world order". On the contrary, if the EU has failed, prospects are gloomy that it will succeed in a world in which emerging powers most attentive of their sovereignty are playing an increasing role. Beyond this aspect of possibly contributing to a rules-based international order, the following paragraphs will show that assessing the EU's performance in promoting regional cooperation has also more general implications for EU external action.

Assessing the performance of EU external action in a contested environment

The degree to which the EU is able to influence and shape the decisions of other actors is key to the legitimacy of its external action. Quite obviously, this observation is true for any

[9] Other endeavours are the emphasis on the use multilateral fora, and therein especially the United Nations or contributions to the further application and codification of international legal norms through their inclusion in treaties concluded by the EU with foreign partners.

other actor in international relations. However, the EU is a particular case for two reasons. The first lies in its novelty in international affairs. It confers the EU less legitimacy in foreign policy than that of states – which have been the natural actors in this field for centuries.[10] The second follows from the fact that the EU encroaches on the competences of its member states like no other international or regional organisation. As a consequence of these two factors, the EU is traditionally under stronger pressure to justify its external competences than states are.

Unlike with states, this pressure originates from two ends, with both citizens and member states scrutinizing EU policies and action. While data from the yearly Eurobarometer or from the Transatlantic Trends survey shows that citizens are quite supportive of a stronger role for the EU in international affairs (in contrast to other policy areas)[11], a sense of reluctance does still often dominate their understanding of the activities of the EU, an institution met with distrust by most citizens (Commission 2014a: 95; Bruttel 2014: 287–8; Commission 2018: 11).[12] Most headwind does nonetheless come from the member states' governments. Their often hesitant position can be attributed to at least two factors that have traditionally dominated discussions on the further expansion of external competences for the EU.

First and most importantly, foreign policy belongs to the policy fields most closely connected to national sovereignty.[13] It is therefore not surprising that member states seek to preserve this area from 'intruders' as much as possible. After all, each additional EU

[10] While states are the drivers of formalised foreign policy at the very least since the Westphalian Peace of 1648, the EU's (then EEC) first external endeavours are less than 60 years old and have only gradually grown over time.

[11] An average of 63 % of respondents to the Eurobarometer survey are in favour of a common foreign policy of the member states of the EU, with approximately 25 % against (European Commission 2013a). Support for other policy areas such as monetary union is consistently lower and rejection rates higher (European Commission 2013b; 2013c). In a similar vein, 73 % of the EU respondents to the 2014 Transatlantic Trends survey find it either 'very desirable' or 'somewhat desirable' that the EU exerts a strong leadership in world affairs (German Marshall Fund 2014: 5). The Transatlantic Trends survey conducted by the German Marshall Fund does not include all EU states. The 2014 edition includes ten EU member states with results for this question being consistent over the last ten years and with previous editions that included less EU countries.

[12] For a study that surveys how the EU institutions have sought to counter citizens' distrust on European integration see Sternberg(2013).

[13] The ability to enter into relations with other actors is for example a common part of state definitions. To mention one prominent example in international public law, the Montevideo Convention defined statehood "as a person of international law … [possessing, M.H.S.] the following qualifications: a) a permanent population; b) a defined territory; c) government; and d) capacity to enter into relations with the other states." (Montevideo Convention 1933: 1).

competence in this area carries the risk of hampering the perception of member states as those who steer and command foreign policy – a field that usually brings positive approval ratings to governments. A second, often connected, reason why additional EU competences in foreign affairs are regularly met with reluctance, relates to the pressure that the EU exerts on member states when expanding its competences in external policy fields. This pressure can be formal as for example through judgements of the European Court of Justice (ECJ) that draw the boundaries between EU and national competences – with the ECJ's case law often leaning towards expanding EU competences.[14] But it can also be informal: constant exposure to the EU's foreign policy system creates a compulsion for agreement as numerous studies have shown – even fields that are organised intergovernmentally can be subject to a 'coordination reflex' (Wessels 1980: 23) or 'Brusselisation' (Howorth 2001: 787; Allen 1998: 54).

At the same time, a general consensus seems to exist among member states and observers that the significance of the EU and its member states in an increasingly multipolar world hinges upon the EU's ability to be coherent in its foreign policy (TEU 2012a: Art. 21(3); Gauttier 2004; Gebhard 2011). To some extent, this is a paradoxical position of the member states: while governments usually speak in favour of a stronger EU role in international affairs in general, they often remain hesitant when it comes to taking specific steps that could imply loosening their grip over EU action. This apparently inconsistent situation has been portrayed as a "capability-expectations" (Hill 1993: 315–8) or a "credibility" (Regelsberger *et al.* 1997: 4–5) gap. While they bring forth different nuances, both concepts depict a situation in which the expectations regarding the EU's external clout are beyond the instruments or capacities it has at its disposal to achieve them. As current discussions show, these concepts are still as topical as when they were coined in the 1990s. Therefore, either the EU's capabilities must increase or the expectations placed on it must diminish. Against this background, the EU's actual performance with the instruments it has at hand is a central element in this equation. If the EU punches below its weight in a field in which it should play a significant role, it will be

[14] For example, Art. 216(1) TFEU foresees that the EU also gains external treaty-making competences whenever it receives an internal competence in a specific policy field. This principle of implied external competences was codified in the Treaties following a ruling of the ECJ (ECJ, Commission v. Council (ERTA), ECR 263, 1971).

difficult that member states grant it further competences – especially after having gained new ones in several fields lately through the Lisbon Treaty.

For all these reasons, assessing the performance of EU external action is eminently important from a policy-oriented point of view. This thesis undertakes this effort in a field in which the EU has been active for decades – the promotion of regional cooperation -, using its most developed external action instruments, but which is challenged by the on-going transformation of the international system.

1.1.2 Academic relevance

Beyond the practical rationale outlined above, this study seeks to make contributions to three distinct gaps in the academic research of EU foreign policy. These three gaps are introduced in turn, moving from the most general to the most specific argument.

Shifting the focus on the EU's impact in foreign affairs

Firstly, this thesis contributes to placing a stronger emphasis on the *impact* of EU foreign policy abroad and of the promotion of regional cooperation more specifically. This argument, which was already made from a policy-oriented perspective above, is also important from an academic point of view. As a political system that is always in flux, the EU is "a fertile breeding ground on which new governance mechanisms and structures regularly emerge and grow" (Panke and Haubrich-Seco 2016: 499) – not least in the field of EU external action. In this field, changes in governance and policy-making have been sparked most often through formal treaty changes but also as a result of informal adaptation to new challenges (Diedrichs *et al.* 2011: 24–30). In consequence, research on EU external action has been mostly inward-looking. It has concentrated on analysing the negotiation and formulation of EU external policies between the member states, between member states and EU institutions, between the institutions themselves as well as inside the institutions.

In the meantime, assessing the EU's impact on or even its potential genuine contribution to international affairs has been less of a focus in the literature (Smith 2013: 656). A notable exception lies in the field of enlargement policy, and – more recently – in neighbourhood policy. In the same way as this latter policy draws from many of the instruments of enlargement policy, both fields of research are strongly influenced by the

Europeanization literature, which focuses on assessing the local impact of EU influences (for discussions and reviews of this focus see Radaelli 2012, Exadaktylos and Radaelli 2012 and Schimmelfennig 2015). Beyond these fields, studies on the EU's impact as an international actor do exist (e.g. Ginsberg 2001 or, more recently, the special issued edited by Arne Niemann and Charlotte Bretherton 2013) but are nonetheless scarce compared to studies on the inner workings of EU external action. By analysing the EU's impact on a policy field in which it has been active for a considerable period of time, this study takes a step towards reducing this gap. It does so by developing a theoretical model that will also be suitable for analysing the EU's impact on other external fields.

A look beyond systemic argumentations

Much has been written about the emergence of regional cooperation and integration. A number of ever more refined theories deal specifically with the emergence of European integration and have also been applied to other world regions (see the review in Mattli 1999b: 19–40 and the contributions to Paul 2012), with a prominent precursor having begun this endeavour already decades ago (Haas 1967). Most of these theories focus on regional interdependence, for example as a result of conflicts or trading, to explain the emergence and development of regional cooperation.

In comparison, relatively few academic literature deals with the role of external factors in fostering regional cooperation. When external factors are taken into account, most of the literature argues from a systemic perspective.[15] This perspective, which one could also term 'macro'-perspective, analyses interaction between regions and regional organisations using the international system – or what Kenneth Waltz called the "third image" (2001[1959]: 12) of international relations – as their vantage point. This literature surveys whether and how the interaction between regional actors affects matters such as the stability of the international system or coordination in large international organisations

[15] There are also several, if only partial, exceptions to this finding. These works mention the instruments used by the EU to encourage regional integration, but do not empirically test for their impact. Pietrangeli's (2009) overview of EU efforts in supporting worldwide regional cooperation and Santander's (2005) article on the EU-Mercosur relationship and several contributions included in Lombaerde and Schulz(2009) belong to this category. More recently, the 2012 special issue of West European Politics edited by Börzel and Risse (2012a) moves further to also assess the results of EU actions.

such as the United Nations (UN) (e.g. Hänggi 2003; Santander 2005; Söderbaum *et al.* 2005; Smith 2008: 79–109; Rüland 2010: 1273–8). Another variant looks at how regionalism has developed in the global South, identifying the increasing multipolarity of the international system and global trade flows among the drivers (e.g. Hettne and Söderbaum 2000; Söderbaum and Shaw 2003).

These works rarely analyse how such interactions may shape the participating organisations themselves. Those that do are confronted with considerable problems as the systemic perspective does not open the 'black box' inside the organisations and cannot reveal whether interaction between two regional actors has influenced their internal set-up. While studies taking such a perspective do for example survey whether interaction between the EU and regional organisations such as ASEAN or SADC has led the latter to strengthen their institutional setup so that they can cope with the better organised EU (e.g. Hänggi 2003: 199) or to strengthen their common regional identity (e.g. Gilson 2002: 20–5; 2005: 310), they can only hypothesise why this may or may not have happened – but not test whether their expectations hold true (e.g. Doctor 2015: 977–9).

This comes as no surprise. The systemic perspective makes it difficult to shed light on the reasons and causal mechanisms that may have led to an EU impact on regional cooperation beyond its borders because it does not go beyond correlation. Consequently, empirically assessing the EU's real impact on other regional endeavours often went short and the impact of the EU was frequently evaluated rather optimistically (Söderbaum and van Langenhove 2005: 250–1; e.g. Söderbaum *et al.* 2005: 377). Even though a relatively recent contribution from Christopher Hill and John Peterson (2014: 92–4) shows that also sceptical assessments can be based on a systemic perspective, the fact that assessments of the EU's impact based on similar premises arrive at opposing assessments just highlights the potential for empirical analyses in this field. In order to address this gap, this study will use a theoretical model that analyses the relationship between the EU and other regional endeavours from a 'micro' perspective. This perspective concentrates on the behaviour of individual actors in response to EU influences.

Using a 'micro' approach does also allow circumventing two further disadvantages of systemic studies. Firstly, systemic approaches make it difficult to distinguish whether and how other exogenous factors influence regional cooperation. It is however important to take these factors into account. After all, the EU is by no means the only actor that may

shape decisions taken by other governments and regional organisations. In the field of regional cooperation and integration, multilateral trade negotiations or the actions of the United States are for example likely to have an influence on how cooperation evolves. It is therefore essential to identify whether such influences may have played a role. Here again, the micro-perspective proposed by this study makes it possible to empirically test which considerations influence a specific organisation and its agents when deciding to step up cooperation. By zooming in on the micro level and focusing on causal explanations, the risk of overlooking influences beyond the EU becomes much smaller.[16] Secondly, also local factors are likely to shape whether external influences gain traction. It is difficult, if not impossible, to imagine that states decide to cooperate with each other just because of external motivations. Still, parts of the literature analysing this phenomenon created that impression by focusing on the EU's objectives rather than on its impact (Farrell 2007: 310–3; Smith 2008: 79–109). Therefore, this study not only adopts a micro-perspective but also uses theories that account for local agency. In addition, most of the data for the analysis is collected at the level of the addressees of EU action.

Broadening the range of cases

This study makes a third contribution to the existing academic literature on the EU's role in global regional cooperation by expanding the range of cases that are typically analysed in this field. It broadens this range both on a conceptual and a geographical level. Conceptually, the study avoids focusing just on the promotion of regional *integration* but also includes regional *cooperation*. The rationale for this choice becomes clear if we take a closer look at the genesis of regional integration. The most common definition of regional integration conceives it as the transfer and pooling of some degree of authority or sovereignty to a regional body by more than two states in geographical proximity of each other (Goltermann *et al.* 2012: 4; Börzel 2013: 508). Clearly, this implies that the transfer of sovereignty to a regional level has to be preceded by some degree of (intergovernmental) regional cooperation, which in turn can be defined as the "joint exercise of state-based political authority in intergovernmental institutions" (Börzel 2013: 508). Surprisingly, most academics have however concentrated on analysing the EU's relations with other formal

[16] The design of the case studies is also chosen to reduce this risk. See section 1.4 below and chapter 5.1 for more detail.

and highly institutionalised regional integration organisations such as ASEAN, the African Union or SADC (e.g. Camroux 2010; Warleigh-Lack 2010; Sicurelli 2016: 147–54).[17] This excludes a significant part of what the EU actually does to encourage cooperation. As the mapping in chapter two will show, the EU not only engages with established regional *integration* schemes, but does in fact spend most of its efforts in encouraging regional *cooperation* – be it as a potential basis for integration or as a goal in itself. Broadening the range of cases analysed therefore better reflects the reality of the EU's actions – and makes it possible to reap the advantages of a broader comparison.[18]

Along with this conceptual broadening, the present analysis also expands the regional scope considered in previous studies. As a result of their focus on relations between the EU and formal ROs, previous works have seldom engaged in cross-regional analyses (for an exception see Lenz 2012). Taking into account different regions has a number of advantages however. Beyond better reflecting the reality of the EU's actions as mentioned above, this broader scope does allow to analyse whether the different instruments and policies the EU employs to foster regional cooperation have varying effects and in how far the EU's success is dependent on the degree of leverage it has on a region. Common sense would lead us to expect that the EU is more successful the more dependent its partner is on it. Whether this is in fact the case or not will be elucidated by our analysis.

1.2 Research questions

This dissertation seeks to explain *'how, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?'* This research question (RQ) comes forth from the research interests explained above. If the EU is able to influence regional cooperation beyond its borders, we may conclude that the EU has an impact in an external action field in which it has engaged for a considerable period of time.

As the wording shows, this research question can be divided along the 'how', 'to what extent' and 'under what conditions' of EU (lack of) success in promoting regional cooperation. Accordingly, sub-research question (SRQ) 1 addresses the 'how' asking *'What instruments does the EU employ to promote regional cooperation?'* This question seeks to

[17] Farrell(2007) is an exception to this finding as she includes both EU-RO relations and enlargement. But as an overview article it remains descriptive.

[18] For example, this allows taking into account the role of the varying degrees of EU leverage to which regions are likely exposed or avoiding that results are extrapolated from regions in which a relatively high degree of integration already existed to all cases with which the EU interacts.

assess through which policies and instruments the EU seeks to foster regional cooperation and integration. Is regional cooperation promoted through the EU's development policy or does it also play a role in sectoral external action fields or in the CFSP? Does the EU pressure or even threaten others in order to encourage them to pursue regional cooperation or does it seek to lead by example? The answers to these questions will allow us to gauge in how far promoting regional cooperation and integration is an objective that runs through the EU's external action – and in how far the instruments used vary according to the partner the EU engages with.

These answers also provide the basis for the assessment of the EU's actual impact or success in encouraging regional cooperation. This is the focus of SRQ 2 which asks *'To what extent is the EU able to influence the emergence and development of regional cooperation outside the EU?'* The bulk of the empirical analysis will be devoted to this question, which will survey whether there is a causal connection between the efforts undertaken by the EU and regional cooperation and integration in its partner states or organisations. In order to assess this question, the study will trace whether a change in regional cooperation can be attributed to the EU – or whether it is likely to have been motivated by the actions of other local or international actors. In doing so, this question addresses the key practical and academic motivation behind this work which is to assess whether the EU does have an actual impact in promoting regional cooperation.

Even if the EU were to have a considerable impact, it is unlikely that it would achieve the same degree of success across all the cases studied. After all, the EU interacts with states and regions in its immediate neighbourhood and with others far away. This has implications as to the interdependence of the EU with its partners. As the 2014 events in Ukraine show, instability in Eastern Europe is much more likely to influence or even pose a threat to the EU than lack of regional cooperation in the Pacific. At the same time, the EU's influence and leverage over others differs greatly. Trade concessions or restrictions are for example much more influential when applied to a Northern African country than towards India. This study will therefore assess the role of different conditions in modulating and modifying the EU's impact. SRQ 3 therefore asks *'How does EU leverage influence its success in promoting regional cooperation?'* In answering these questions, the focus will lie

on a cross-case perspective, comparing the EU's success across cases and regions and setting this in relation to factors as the ones mentioned above.

Put together, the answers to these three sub-research questions will allow us to answer our main research question. Their interrelation is pictured in the figure below before we move to introducing the research design of this thesis.

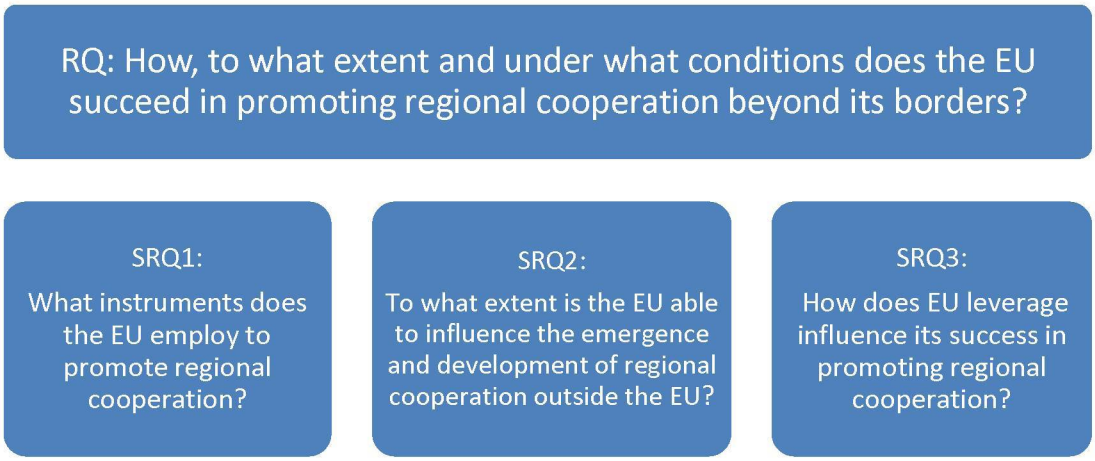

Figure 1.1: Main and sub-research questions

1.3 How to assess EU impact on regional cooperation - the analytical argument

Answering these research questions does not seem easy. Since the EU's partners are subject to many other influences besides those of the EU, isolating the particular influence of an EU action is complicated. Coping with this empirical hurdle and with other challenges is the central objective of the research design for this thesis. To confront this challenge the study adopts a micro-perspective to peer into the decision-making of the EU's partners when deciding when reacting to an EU impulse in the field of regional cooperation. This perspective brings us close enough to the thick of the action so that we are able to distinguish EU influences on regional cooperation from other influences as they may come from multilateral trade negotiations or from the policies of other international actors such as the United States of America (USA). As a result of using this micro-perspective a considerable amount of our empirical research takes place on the side of the EU's partners – assessing their incentives and responses to EU action. In doing so, our research design fulfils the aspiration of focusing on the impact of EU external action.

In order to be able to take this micro-perspective, this study uses a diffusion approach. Diffusion theories start from the premise that political innovations and changes tend to spread over time and space. While diffusion is also used to explain patterns of innovation across many cases, one of its most notable advantages lies in conceiving change as a situation that involves a sender and a receiver of influence. In our case, the sender is the EU and the receiver its respective partner organisations or states, which may or may not react to the EU's influence. As diffusion approaches focus on causal mechanisms, they furthermore allow us to study different explanations for the spread – or diffusion – of innovations without changing the general setup of the whole model. It therefore becomes possible to study different explanations without adding more independent variables to our research design. Thus, our research maintains a dependent and an independent variable throughout the whole study and examines the role of a range of possible connections between them.

'Institutional change modelled according to EU aims' is our dependent variable. It reflects the changes in institutions of regional cooperation on the side of the EU's partners. Since this research undertaking seeks to assess the success of the EU in promoting regional cooperation, our dependent variable concentrates on such changes that are 'modelled according to EU aims' – that is on such solutions that were directly or indirectly promoted by the EU. The adoption of solutions promoted by others than the EU would also have an impact on regional cooperation – but not count as a success of the EU's foreign policy. Our independent variable is defined as the 'use of EU instruments to promote regional cooperation'. It reflects how the EU encourages regional cooperation as part of different external policy fields – such as trade or diplomatic relations – and which instruments it uses to promote it, for example technical assistance or highlighting its own experience. The assessment of the independent variable will already allow us to reply to our first SRQ *'What instruments does the EU employ to promote regional cooperation?'*

To figure out whether and how the EU and its instruments affect the decisions of EU partners when engaging in regional cooperation or even in regional integration, this study analyses the role of different causal mechanisms. These causal mechanisms are developed from two strands of thought prevalent in both IR and EU studies. On the one

hand, a strand that focuses on material incentives and conditionality and, on the other side, a strand focusing on the role of social factors such as the EU`s renown or a desire by the recipient to be applauded internationally. The five causal mechanisms and their respective hypotheses aim to cover all possible paths of EU influence on regional cooperation beyond its borders. This plenitude permits us to assess the second SRQ *"To what extent is the EU able to influence the emergence and development of regional cooperation outside the EU?"*

The EU maintains institutionalised relations with virtually every state in the world and with dozens of regional organisations and groups.[19] With most of these groups, the EU aims at encouraging regional cooperation.[20] From all of these, this study selects two regions for in-depth case studies: the Western Balkans[21] and the Mercosur region. EU action towards the Western Balkans is largely driven by the sobering insight that the EU was unable to prevent the violent break-up of Yugoslavia in its most immediate 'backyard'. On that basis, efforts have been directed at pacifying and stabilising the region and finding ways for the newly independent republics to cooperate with each other – not least in view of future accession to the EU – which in itself represents the strongest incentive the EU can offer. EU relations with Mercosur have mainly been driven by trade interests – with arduous negotiations for a trade agreement taking place between 1999 and 2004 and again since 2010 - and by the objective of establishing closer cooperation between the two regional organisations.[22] This selection allows us to study the EU's influence on cases from two regions towards which the EU should have different degrees of leverage – arising for example from the varying degrees of trade dependence, geographical proximity, etc. But also the different policies that the EU uses to engage with neighbours – such as Enlargement Policy – and with partners further away – such as trade or development policy – should provide it with different ways of exerting influence. Thus, as a result of this case selection, our analysis is able to respond to the third of our SRQs, namely *"How does EU leverage influence its success in promoting regional cooperation?"*

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[19] See the Treaty Database of the EEAS that gives an overview of formalised contacts between the EU and states and international organisations (European External Action Service Treaty Database).

[20] See the mapping in chapter two for a detailed account of the EU relationships with regional groups.

[21] As chapter 0 will show, the term 'Western Balkans' is a rather recent one and does not have a generally recognised meaning. In the context of the EU and for the purpose of this work, it includes Croatia, Serbia, Bosnia-Herzegovina, Montenegro, Kosovo, the former Yugoslav Republic of Macedonia and Albania.

[22] Mercosur stands for 'Common Market of the South' (Mercado Común del Sur) and is formed by Argentina, Brazil, Paraguay, Uruguay and Venezuela.

Answers to our research questions are sought both on the within- as on the cross-case levels. While the within-case studies allow us to assess the pertinence of the diffusion mechanisms in explaining the EU's influence on regional cooperation, the cross-case analysis makes it possible to set the influence of the EU in relation with factors that vary between the two regions, such as the dependence of a region on the EU. Inside the two regions, the study analyses seven cases, three from the Western Balkans and four from Mercosur. The case studies use process-tracing to uncover whether – and to what extent – the hypothesised causal mechanisms can explain the changes in regional cooperation observed. The process-tracing draws on documents of the involved institutions as well as on data from 80 semi-structured interviews conducted between 2011 and 2013 with policy-makers in the headquarters of the organisations studied and the capitals of the states involved. On the basis of the results of the case studies, the cross-case analysis uses ordinal comparison to set the prevalence of different mechanisms and the success of the EU in promoting regional cooperation in relation to its leverage, the instruments used and the idiosyncrasies of the regions studied.

Beyond being a tool for answering the research questions posed at the beginning of this chapter, the design outlined in these paragraphs proposes a framework that can be used to assess the impact of the EU in promoting regional cooperation or other norms and practices also in different cases than those analysed here, thereby providing an avenue to overcome the *lacunae* identified in systemic approaches.

1.4 Outline of the study and its main arguments

This study is organised into four parts. The first part, to which this introduction belongs, lays the ground for the analysis. It defines the research question and presents the background against which this study is conducted as well as the gaps in research and political practice that it addresses. The second part develops the analytical framework to find answers to the research question, which the third part addresses through an empirical analysis. To do so, it builds on seven case studies on the EU's influence on regional cooperation in the Western Balkans and Mercosur and on a cross-case analysis. On the basis of this analysis, the fourth and final part answers the research questions and sets these results in relation to the research gaps identified at the beginning of the analysis.

Part I: Introduction

Chapter Two: Mapping EU promotion of regional cooperation

This first chapter has laid the groundwork for the analysis defining the research questions and highlighting the significance of the topic under analysis both from an academic and a policy perspective. Chapter two provides the reader with the necessary background on the EU's efforts in encouraging regional cooperation beyond its borders. This is done by mapping all the relationships in which the EU aims to promote regional cooperation with countries and groups of countries and by reviewing the existing academic literature on the matter. This chapter will show that the EU seeks to promote regional cooperation and integration towards many of its partners and that a focus on the impact of these policies can enrich existing analyses and provide advice for political practice.

Part II: Analytical Framework

Chapter Three: Theoretical Framework

The third chapter draws on a diffusion approach to construct an explanatory model. This chapter shows that diffusion is useful to analyse the reasons and conditions under which the EU may influence regional cooperation beyond its borders because it allows us to build upon a wide variety of theoretical accounts. Doing so, we can analyse different competing and concurrent explanations for the EU's influence. Firstly, the chapter constructs a diffusion approach that enables us to assess the questions at hand from a micro-perspective that focuses on the reasons why EU partners decide to engage in regional cooperation or not. In a second step, and profiting from the flexibility of the diffusion approach, the model is filled with life by developing five hypotheses that advance explanations for the EU's possible impact on regional cooperation. In a third and final step, scope conditions are defined. These are factors that are expected to modify and influence the effect of the EU in promoting regional cooperation. They allow us to survey the role of aspects that are likely to differ between different regions – such as the EU's degree of leverage over its partners or local conditions.

Chapter Four: Operationalisation

Chapter four develops indicators to assess the manifestations of our dependent and independent variables as well as for the five hypotheses. Our dependent variable, 'Institutional change modelled according to EU aims', is operationalised with an index that includes key elements of institutional change, such as the core function of an institution or

its competences. The operationalisation of our independent variable, 'Use of EU instruments to promote regional cooperation', captures the multifaceted nature of EU external action surveying the three broad fields of EU foreign policy: trade and economic relations, development cooperation and technical assistance, and political relations. The five causal mechanisms are operationalised in a way that allows us to identify whether, how and why the EU's partners react to European influences.

Chapter Five: Methods

This chapter defines the key elements of our research design and the methods of analysis employed. It thus connects the theoretical expectations with the empirical analysis in part III. The chapter outlines a case-study design that allows us to reach conclusions both on the case-study level as well as across cases. Once this design has been explained, the chapter moves to choose the regions from which the in-depth case studies are taken. Based on the mapping from Chapter Two, two regions are selected using the diverse-case selection method: the Western Balkans and Mercosur. After choosing the regions, the chapter establishes the criteria to select the individual case studies in each region. In a third step, the chapter selects and justifies the methods of analysis that will be used in the empirical part of this thesis. It reasons that process-tracing is the most adequate method to test the hypotheses in the individual case studies and ordinal comparison for the cross-case analysis. Finally, this chapter sets out the methods used to retrieve empirical material for the analysis. Qualitative analysis of policy-making documents and 80 semi-structured interviews are the two sources of evidence used. Especially the interviews make it possible to base the analysis on novel information especially retrieved for the purposes of this study.

Part III: Tracing EU Impact on Regional Cooperation

Chapter Six: EU-Mercosur

Chapter six is devoted to the empirical analysis of the EU's efforts to promote regional cooperation in the Mercosur region. It begins by analysing the local context in which regional cooperation developed in the Southern Cone and assesses the scope conditions 'degrees of statehood' and 'power asymmetries', showing a marked resistance to delegate decision-making to regional bodies and its reliance on the EU as a trader and investor. After assessing our IV, we process-trace the EU's impact on four cases of institutional change in

the region. Overall, the analysis finds that the EU has had considerable influence on Mercosur's institutional change and that lesson-drawing, a causal mechanism particularly dependent on local initiative, was especially relevant.

Chapter Seven: EU-Western Balkans

Following the same structure as for Mercosur, this chapter studies the EU's impact on institutional change in the Western Balkans. In a region deeply scarred by the Yugoslav wars, our analysis finds how the attachment to national sovereignty and a rather transactional understanding of cooperation shape the local context. The assessment of our IV confirms the EU's extraordinarily high efforts to promote regional cooperation across all the instruments at its disposal. A process-tracing of three cases shows that, despite its strong leverage on the Western Balkans, EU influence in the region can be modified by local resistance.

Chapter Eight: Cross-case analysis

On the basis of our case studies, chapter eight adds a cross-case level of analysis to our study. It draws together the results for our SRQ1 and 2 and replies to our SRQ3. Focusing on the variation between the cases and regions, it opens up the analysis and adds an inductive part to our study. This analysis discusses the role of our scope conditions, how they interact with the causal mechanisms and whether they can explain cross-regional variation in the EU's impact on regional cooperation.

Part IV: Conclusions and Implications

Chapter Nine: Conclusion

This concluding chapter answers our research questions and summarises the main contributions of the thesis in light of the academic and practical research interest. On the basis of the results, it highlights some paths for further research and provides suggestions on possible approaches.

2 Mapping EU promotion of regional cooperation: nature, genesis and analysis

This chapter introduces the reader to the EU's efforts to encourage regional cooperation beyond its borders. It shows that the EU seeks to promote regional cooperation and integration among a wide range of third countries. In addition, it argues that focusing on the impact of this policy enriches existing academic analyses and has implications for political practice. The chapter begins with a brief section that defines 'regional cooperation' (2.1). On that basis, a second section maps how, why and towards which regions the EU tries to act as an "external federator" (Santander 2005: 286) (2.2). The third section discusses how these efforts have been analysed in the academic literature and outlines the contribution of this thesis to this body of literature (2.3). The conclusion sums up the main findings and paves the way to Part II of this thesis, which develops the analytical model for the study.

2.1 Regional cooperation and integration beyond the EU's borders – essence and definition

Different meanings are attached to the terms 'regional cooperation' and 'regional integration' in the academic literature. In fact, books on regionalism tend to begin by stating that even the term 'region' is undefined. Often, rather lengthy considerations about what a region is and what it is not follow (see for example Langenhove 2011: 63–92). Without delving into such discussions (but having them in mind), the goal of this section is to define what to include and what to exclude from these two labels for the purpose of our analysis – and to mark the separation between 'cooperation' and 'integration' and illustrate it with specific examples.

We start from the definition mentioned in the introduction to this thesis, according to which regional cooperation entails "joint exercise of state-based political authority in intergovernmental institutions" (Börzel 2013: 508).[23] The first implication of this definition is that we understand regional cooperation as an enterprise that is mainly undertaken by

[23] While Börzel's definition does not specify whether 'state-based' does also refer to subnational structures, the focus of this thesis and of most of the literature lies on cooperation between (nation-)states.

national governments. This excludes both regional cooperation between sub-national entities (as for example the Euroregions supported by both the Council of Europe and the EU) and those in which civil society or non-governmental organisations cooperate across borders (e.g. the European confederation of development NGOs CONCORD). A second set of criteria relates to the *regional* character of the initiatives considered. In practice, this means that only initiatives with more than two member states are considered. This excludes most cross-border cooperation projects, which usually involve cooperation between authorities in two contiguous countries and are supported by the EU as part of its regional, enlargement and neighbourhood policies (Commission, DG REGIO 2014). Secondly, regions are understood as geographically contiguous spaces, implying that only such cases of cooperation will be considered in which the vast majority of its members are neighbours. In practice, this excludes a number of initiatives that are sometimes considered instances of regional cooperation, such as the PALOP (Países Africanos de Língua Oficial Portuguesa), an organisation that englobes countries from lusophone Africa.

A final – and rather obvious – criterion follows from the focus of our analysis. Since we are interested in EU promotion of regional cooperation *beyond* its borders, we will place our emphasis on regions whose membership is mostly formed by countries that are *not* (yet) part of the EU. Hence, groups such as the Visegrád Four (V4) formed by the Czech Republic, Poland, Hungary and Slovakia do not lie in our focus.

In the introduction to this thesis, we posited that there is a strong case for not only including regional *integration* in our analysis, but also instances of regional *cooperation* – after all cooperation is a prerequisite for integration. Regional cooperation is also the broader term of the two, encompassing integration as its most far-reaching variant. Taking into account that the literature often focuses on the EU's relationship with other regional integration organisations, it is important to establish the boundary between the two terms. Definitions of regional integration focus on varying issues such as the inclusion of economic concerns (economic integration) (Mattli 1999b: 1), the signature of international treaties (Mattli 1999a: 2–3) or the existence of autonomous legal statuses for regional organisations (Fawcett 2013: 3). A common criterion in most of the definitions lies in that fact that the transfer of sovereignty to an institution at a higher level than the member states is a necessary condition. Therefore this transfer of sovereignty shall be the decisive element to distinguish regional *integration* from *cooperation* for the purpose of our study.

Finally, the existence of a regional organisation is not a necessary condition for regional cooperation, but it is a necessary implication of regional integration as defined here. After all, if a transfer of sovereignty takes place, the transferred competences will usually be handed over to a regional body. Some definitions will only speak of regional integration if it serves more than one purpose (e.g. more than just trade integration; cf. Goltermann *et al.* 2012: 4). To cover as many instances as possible, and for the sake of simplicity, we abstain from including this former criterion.[24] Table 2.1 below lists the criteria to define regional cooperation and integration.

	Regional cooperation	Regional integration
constituents	states	
number of constituents	more than two	
relationship between constituents	geographical neighbours	
EU membership	constituents are mostly non-members	
transfer of sovereignty	no	yes
existence of a regional organisation	possible	yes

Table 2.1: Criteria to define regional cooperation and integration

2.2 The role of regional cooperation in EU external action

Being one of the oldest goals in the EU's external action, the promotion of regional cooperation (and integration) is found across diverse EU policies and pursued with many partner regions. It can therefore be described as a 'golden thread' that runs through most of the EU's geographic policies and also through the majority of its sectorial policies such as its environmental policy. In the EU's geographic policies, which can be pictured as a set of concentric circles around the EU, promotion of regional cooperation plays a role in enlargement policy, in the European Neighbourhood Policy (ENP), as well as in relations with the wider neighbourhood (e.g. Central Asia) or in the direct engagement with other regional organisations, such as the African Union (AU) or ASEAN. In the EU's sectorial policies, the encouragement of regional cooperation is a goal present in fields such as development, trade or foreign policy in a classical sense (CFSP). This section delves into the

[24] Applying such a definition would for example exclude regions with a sectorial approach to regional integration, which may be the most common in cases in which regional cooperation is nascent (note the example of the European Steal and Coal Community).

different motives that drive this action and reviews how and where the EU seeks to encourage regional cooperation.

Why? – "Between logic and political will"

Taking into account that virtually every other actor in foreign policy engages with partners on an individual, bilateral basis, this propensity for regional approaches raises the following question: why does the EU frequently choose bi-regional approaches – despite the fact that it is often more complicated than working bilaterally? Different explanations can account for this phenomenon. First of all, this propensity may simply be grounded in the EU's need – as a regional actor itself – to justify its external relations and to differentiate them from those of its member states. Recalling the argument made in the introduction, EU foreign policy is always subject to at least a double legitimacy check – from its citizens, and most importantly, from the member states. In consequence, the EU needs to justify the conduct of external relations either through the exercise of competences that it has received from the member states (the case of trade or development policies) or by providing an added value, a format that no one else is able to offer.

A second possible motivation for promoting regional cooperation and integration may be related to the wish to justify its own role in the international system. Being a *sui generis* actor creates the pressure to justify one's own role not just to citizens and member states, but also to other international actors. In such a context, increasing the number of regional actors on the global stage may reduce this pressure and create less hostile conditions for the EU itself. Such motivation has been mentioned by several interviewees who are and were involved in negotiations between the EU and other regional organisations [#13, former COM official in Montevideo delegation; #04, EP official; #37, DG Trade official; #20, former senior official, Argentinean MFA] and is also discussed in the literature (Söderbaum *et al.* 2005: 377; Sbragia 2010; Schünemann 2008: 127–8). The EU's praise of those who "emulate" (Council 2008b: 11) it, take it as a "point of reference" (Commission 2008: 3) for their own regional integration or have the "political ambition" [#01, former EU senior official] to pursue the EU's path point in a similar direction. Related to this motivation is the conviction that regional groupings could play a stronger role on the global stage by acting as building blocks for global agreements within international institutions. While heralded in academia as one of the possible benefits of cooperation between regional organisations (e.g. Rüland 2010: 1273–8) and also mentioned by the

Commission in older policy documents (Commission 1994: 13) and in the 2003 European Security Strategy (Council 2003: 9), overall results in this area are so far modest according to sources within the EU institutions [#1, former EU senior official; #5, EEAS senior official; #4, EP official] and EU attempts to encourage such cooperation formats are still met with scepticism by individual member states as notes from the discussions in Council Working Groups show (e.g. German Permanent Representation to the EU 2016b).[25]

A third possible reason for promoting cooperation abroad may be found in the Union's own institutional development. Born as an economic endeavour to bridge political alienation and to overcome the economic ruin that followed World War II, European integration saw the gradual growth of external supranational competences, which were first introduced as complementary policies to the Community's internal market policy – with trade being the first external policy. Eager to expand its power, the European Commission could have sought to develop its own foreign policy competences in relative independence from the member states by promoting relations with other regional organisations and, later on, by encouraging their creation and further development. The likelihood of such an institutional logic, which can be understood as a broadly defined institutional path-dependence (cf. Pierson 2000: 252), is reinforced by the fact that support for regional cooperation is one of the areas in which the EU can most simply achieve international visibility due to its recognised status as the frontrunner of regional integration. At the same time it is a field that can be easily connected to the traditional external competences of the EU in trade, economic and development policy. This motivation was highlighted by several officials from the EU and another regional organisation involved in negotiations with the EU [#01, former EU senior official; #07, DG DEVCO official, #03, Latin American ambassador]. According to a former Argentinean negotiator: "It's their way of telling themselves that they are doing more than just trade agreements" [#20, former senior official. MFA Argentina].[26]

[25] This and some of the following arguments were also presented in Haubrich Seco (2011).

[26] It is important to note though that the independence of the Commission from member states is always relative, since projects and instruments above certain financial thresholds can be blocked by member states through the comitology procedures.

Fourth, the EU's emphasis on encouraging regional cooperation and integration may be rooted in an interest to promote international trade and open up new markets for European exporters, investors, and customers. Supporting regions in creating common markets or at least some joint rules increases the size of those markets and should ease the negotiation process considerably by reducing the number of counterparts with which the EU has to negotiate.[27] This argument has often been reiterated in the literature and also by the EU itself in older policy documents (e.g. Commission 2006c: 5). Nonetheless, it does not explain why the EU conducts regional negotiations with regions that have close to no commercial relevance for the EU, such as Central America which accounts for 0,4 % of EU trade (DG TRADE 2013h) and with which the EU signed an association agreement in 2012 after tedious [#01, former EU senior official] negotiations. Furthermore, a closer look at the negotiation procedures shows that the EU's will to open up new markets does not by itself justify the often cumbersome process of negotiating with regional groups, which often suffer from a great lack of internal coordination.[28] Finally, negotiating with regional groups does often prevent the EU from establishing direct and quicker links with those members whose markets are especially attractive – a disadvantage regularly mentioned by EU officials involved in trade negotiations [#01, former EU senior official; #05, EEAS senior official; #15 EEAS official, delegation Uruguay; #52, senior EEAS official]. In a world characterised by large emerging markets and relatively low economic interdependence among developing economies, such a course of action cannot be explained just by the EU's wish to open up opportunities for European traders. Instead, it appears that more nuanced explanations are needed.[29]

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[27] Similarly, in the context of enlargement negotiations, dealing with a group of countries may create the expectation that negotiations might become easier to manage in a regional setup. Instead, it creates a dissonance between the eminently bilateral incentives the EU can offer, of which accession is arguably the strongest, and taking a country hostage of its neighbour's shortcoming. As chapter 0 will show, the relationship between the Western Balkans and the EU is often complicated by such dissonances.

[28] In most cases, the EU's counterpart at the negotiation table will be represented by all of its member states. Coordination on the EU side is also more complicated than it appears on paper. The European Commission has the competence to negotiate trade and association agreements with third parties, once it has received a mandate by the Council. These negotiations are nonetheless closely monitored by the Council and the member states through the Trade Policy Committee in the Council. Once the agreement has been negotiated, it needs to be approved and often individually ratified (in the case of so-called 'mixed agreements') by all member states. This grants them considerable influence also during the negotiations.

[29] Beyond the EU's own preferences, on which this section focuses, explanations should also include the considerations of the respective counterpart. For example, Mercosur's decision to negotiate with

Taking into account that acquiring new markets does not provide sufficiently convincing motives for EU promotion of regional cooperation, a fifth rational motive may prove more convincing. Instead of seizing (economic) interdependencies, EU action may well be oriented at other types of interdependence. Conflict prevention, resolution and post-conflict recovery stand at the centre of the EU's emphasis in the promotion of regional cooperation towards Africa, Asia and parts of Europe (especially the Western Balkans) (see Commission 2008: 4, and as examples for the individual regions, respectively: EU, AU and Morocco 2014: 3–4, Council 2012d: 16, Council 2014: 11). This emphasis in policy documents and corresponding utterances by EU officials and their counterparts from partner regions show that the Union conceives regional cooperation as a stabilising and pacifying factor [#01, former EU senior official; #05, EEAS senior official; #14, former Council senior official; #65, Serbian official; #72, former Stability Pact official].

None of the above-mentioned arguments, which could be termed as being of a *rational* nature or related to *institutional* considerations, seems to provide a full picture of the forces at place. Instead a combination of these fused with possible *normative* motivations – namely, genuine conviction that bi-regional engagement serves a higher purpose beyond function or familiarity – could account for why the EU invests considerable resources in encouraging regional cooperation despite the fact that it has not always been a successful endeavour from a rational point of view. This conviction becomes quite clear when speaking to EU officials working on external action or reading policy documents of the European Commission (exemplarily Commission 2012; Council 2012e: 2). Instead of 'just' proposing regional cooperation and integration to manage existing interdependences, as the conventional academic trail of reasoning would suggest (e.g. Mattli 1999b: 42), the line of argument used by EU interviewees is often the opposite. Where interdependence is low, functional cooperation shall serve to increase it, the argument goes. According to this logic, economic, political or social interdependences are not phenomena that need to be managed but desirable developments to be nurtured. In a renewed reading of Jean Monnet's argument, and Walter Hallstein's 'material logic' (Hallstein *et al.* 1969: 20-21, 24-25), the closer the (economic) interlinkages in a region, the more difficult it becomes for

the EU as a regional bloc is first and foremost rooted in Mercosur's nature as a – certainly incomplete - customs union, a factor that often remains unmentioned in the EU-focused literature.

neighbours to engage in conflicts. Typical statements mentioned in this context read like the following: "After all, regional integration has led to peace and prosperity in the EU"[30] [#01, former EU senior official; in the same vein, #79, senior EEAS official].

These substantiated statements go hand in hand with more general utterances that highlight the virtues of regional cooperation and integration beyond utilitarian considerations. Asked why it was in the interest of the EU to encourage cooperation beyond its borders, EU actors engaged with different regions replied: "We believe that – and this is very European – integrated blocs work better", "bi-regional relations are part of our philosophy [...] even if it's difficult [to conduct them, M.H.S.]", "simply from the conviction that it [our model of integration, M.H.S.] was the best way to advance in the process[31], "we export the regional model" or simply "the EU promotes regional integration around the world, you will know that." [respectively: #52, EEAS senior official; #15, EEAS official, delegation Uruguay; #13, former COM official in Uruguay delegation; #04, EP official; #37, DG Trade official]. Relying on concepts like 'conviction' or 'philosophy', these statements share the normative *gravitas* of some of the quotes from EU leaders presented at the beginning of this dissertation. In the academic literature such normative, but eminently unreflexive behaviour has been highlighted by Federica Bicchi (2006) in her article "Our size fits all", proposing that EU normative action can also be explained by a natural tendency of institutions to promote their own experiences as these are deemed superior.

Nonetheless, it is important to note that also among EU actors the picture is far from being rosy. Together with the above-mentioned convictions, also other views emerge that indicate a loss of euphoria on the results of encouraging regional cooperation when compared to the optimism European institutions and actors radiated in previous years (cf. Farrell 2007: 299, Council 2003: 9). Such views range from admitting that aspirations to spread regional cooperation ignored or didn't place enough emphasis on local conditions [e.g. "we used to judge a lot from the point of view of our own model", #53, EU official, delegation to Uruguay[32]], over doubts regarding the effectiveness of the policies pursued ["our projects are good, but the results are not taken up by the countries", "a lot of money

[30] Translated from German by the author.
[31] Translated from Spanish by the author.
[32] Translated from Spanish by the author.

has been spent on this and results have been spare"[33]; respectively: #52, EEAS senior official, and #05, EEAS senior official], to openly disengaging from a normative goal: "Brazil wants Mercosur, so we want it as well", "if bilateral is easier, we take that road" [#52, EEAS senior official, and #08, EEAS official].

In sum, it becomes apparent that EU encouragement of regional cooperation and integration follows at least a number of logics that lie between rational self-motivation, institutional considerations and the pursuit of a normative conviction according to which closer cooperation and integration is beneficial also for the EU's partners. While this conviction is often voiced in an *a priori* unreflected way that strengthens the view that it is of a normative nature, sceptical statements by EU policy-makers themselves show that there is a loss of optimism compared to some older utterances from EU representatives. All in all, the statement of a high EEAS official sums up EU motivations well: "What we do is a combination of logic and political will" [#05, EEAS senior official].

How? – Regional objectives and regional formats

Broadly speaking, one can discern two different means by which the EU encourages regional cooperation. On one hand, pursuing particular substantive *objectives* that privilege regional solutions over bilateral ones and, on the other hand, by using regional *formats* of engagement, either in an exclusive or – in most cases – a complementary fashion. Unsurprisingly, both do often go hand in hand, but regional objectives are often also pursued bilaterally and regional formats are used to tackle bilateral problems in less conflictive frameworks.[34] While the practicalities of real politics are also often behind such choices, the following overview shows that regional approaches are a systematic choice rather than a coincidence in EU external action.

Moving along the concentric circles presented above, we can see that regional *objectives* play an important role in the circle closest to the EU: enlargement policy. As a result of the post-war heritage in former Yugoslavia, to which five out of the seven countries currently preparing to accede the EU used to belong, 'good neighbourly relations

[33] Translated from Spanish by the author.
[34] From a negotiation perspective, discussing a problematic bilateral issue in a regional context in which further issues are on the negotiating table can allow to use these dossiers as bargaining chips.

and regional cooperation' were defined as political criteria in the accession process – in addition to the political conditions contained in the so-called Copenhagen criteria.[35] While these further criteria were specifically established for the countries of the Western Balkans, they are also taken into account for further accessions, especially in light of the experience made with the Cypriot accession in 2004.[36] Regional objectives also play a role in the ENP. For example, policies on energy security or environmental governance pursued with all ENP countries in the Eastern neighbourhood call for the management of these fields through regional cooperation (Commission and HR/VP 2012a; European Commission n.a. [2010]). Further away from the EU, the proactive management of conflicts – or of disputes that may lead to conflicts – through regional cooperation ranks high among the EU's objectives towards groups of countries in Central Asia (Council 2015; 2007), the Horn of Africa (Council 2011a) or the Sahel region (Commission and HR/VP 2011). These cases represent regions in which rivalry up to military confrontation dominates neighbourly relations and in which the EU has no functioning regional organisation as a counterpart to engage with. Under such conditions, a bilateral engagement with individual countries would certainly be the most simple and promising approach to achieving immediate policy returns – and is the approach most often pursued by other actors towards these regions.[37] This exemplifies the emphasis placed on bi-regional engagement by the EU.[38] Finally, in the last of our concentric circles, regional objectives also dominate in the EU's engagement with partners like the AU and the different sub-regional organisations on the African continent. In this particular example, supporting regionally-led conflict management ranks high among the declared objectives of the EU and is implemented through the African Peace Facility, a financing instrument that supports African-led peace operations under the mandate of the AU or the local sub-regional organisations.

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[35] The 'Copenhagen criteria' are three sets of criteria defined by the European Council in 1993 in Denmark that should be met before acceding to the EU. They include stable political institutions able to guarantee democracy and human rights, a functioning market economy and the ability to implement the obligations arising from membership (European Council 1993).

[36] Cyprus joined the EU as a divided island with a Turkish-Cypriot north and a Greek-Cypriot south. Since its accession to the EU, Cyprus, itself not a NATO member, is able to block EU initiatives for closer cooperation with NATO, to which Turkey belongs. Conversely, Turkey can block NATO attempts to work more closely with the EU.

[37] The US engages with all these countries on a bilateral basis. In the case of Central Asia, China and Russia are important exceptions to this approach, as they engage with the region through regional organisations as the Shanghai Cooperation Organisation and the Collective Security Treaty Organisation (CSTO).

[38] This emphasis goes as far as to trying to create regional counterparts to engage with where there are none. See the discussion of regional formats in the following paragraphs for examples.

Regional *formats* are common in the policy fields mentioned above, but also in several others. In some cases, the EU engages with third countries exclusively in regional groups (as in the case of trade policy towards the African sub-regional organisations) or with a bi-regional stream complementing bilateral policies (as in the case of the ENP). This goes as far as to encouraging the formation of regional counterparts where there were none before. The Sahel region and the Western Balkans are two cases in point, representing different degrees of EU engagement. In the Sahel, a region characterised by limited cooperation – if not rivalry – between neighbours and a lack of state control over large areas especially in border regions, EU objectives have remained modest, seeking to establish regular regional meetings at the highest political levels and build regional structures, for example to increase the exchange of information between law enforcers (Commission and HR/VP 2011: 3; Mogherini 2015). In the case of the Western Balkans, EU engagement goes much further – to the extent of 'inventing' the 'Western Balkans' as a term and a politically defined region. This neologism was coined by the Austrian Council presidency in 1998 as a result of the politically delicate need to find a neutral term – meaning a term to refer mainly to the states that had emerged from the dissolution of Yugoslavia without mentioning Yugoslavia – while taking into account both the stigma associated with the term 'Balkans' and the intricacies of political realities.[39] Ever since, EU policies towards this group of countries have included numerous region-building objectives.

It is important to note that regional objectives and formats are often fostered using bilateral means. A case in point is that of enlargement policy, where candidate countries are encouraged to engage in regional formats (e.g. the Central European Free Trade Area [CEFTA] originally formed by Poland, Hungary, former Czechoslovakia, Slovenia and Romania) but the incentives and conditions set to encourage such behaviour are defined in bilateral interactions or agreements with the individual states, in this case the respective accession treaties. The EU promotes regional cooperation beyond its borders using a widespread set of instruments throughout its portfolio of external policies. At the diplomatic level, the EU sustains a series of so-called biregional relationships with the regions that are deemed to be most important for the EU, including East Asia, Latin America and Africa. Embedded in and alongside these relationships, meetings are held with sub-

[39] Chapter 7.1 below explains in more detail how the term 'Western Balkans' was coined.

regional organisations (e.g. ASEAN or Mercosur) and common agendas are developed. International agreements are in place with most sub-regional organisations.[40] Trade agreements are in place or pursued with many regional organisations in the world (Commission 2013g). In the sphere of development assistance, support for regional cooperation and integration complements the assistance given by the EU to individual states and amounts to almost 10% of total aid commitments by EU institutions[41], and its share has been growing in the European Development Fund (EDF) (Herrero and Gregersen 2016: 1–2).[42] Institutionalised parliamentary relations between the European Parliament and regional and sub-regional parliamentary assemblies are in place with almost every region of the world (European Parliament 2015).

The following section will survey the regions towards which the EU encourages regional cooperation. It shows that EU promotion of regional cooperation is a policy with an almost global scope – and also provides the basis for the selection of the case studies undertaken in chapters six and seven.

Where? – A policy with global reach

To map where the EU promotes regional cooperation, it is useful to recall the definitions of regions established earlier in this study as well as our research question. Regions were defined in section 2.1 (see p. 24) as groups constituted by more than two states that are geographical neighbours. Following our research question '*How, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?*', we are further interested in cases in which the EU tries to encourage regional cooperation at least with some degree of active engagement, i.e. we survey *all relationships between the EU and other regions* towards which the EU seeks to engage as a region-builder. While the degree of intentional engagement can be defined in different ways (and will be defined later as we spell out the EU's instruments to promote regional cooperation and thereby define our independent variable), orienting our mapping according to our research question implies that we are not looking at cases in which the EU's regional model is copied or interpreted by any other actor without at least some involvement of the EU in

[40] See the afore-mentioned EEAS Treaty Database (European External Action Service 2014).
[41] Calculated for aid commitments in the years 2005-2013 (latest data available) using data from the OECD Creditor Reporting System for development assistance.
[42] The EDF is the EU's dedicated budget for development assistance measures in the African, Caribbean and Pacific regions (ACP).

the process. This is in line with our interest in assessing the effectiveness of a policy that is intentional.[43] This definition does also imply that the mere provision of EU funds to a regional cooperation initiative is not *per se* a sufficient criterion to contend that the EU is actively promoting regional cooperation. Not all regional initiatives that do receive EU funding do so because of an express EU intention to encourage regional cooperation. A number of them (e.g. the Central European Initiative or the Council of Baltic Sea States) draw a significant share of their funds from the EU because they have successfully applied for EU-funded programmes that are also available to national actors. Orienting our mapping according to our research question also allows us to use the results to define our population of cases, i.e. the pool of cases to which our hypotheses could in principle apply (Geddes 1990: 134–5) and among which we will later select our specific case studies (George and Bennett 2005: 83).

Having defined the kind of cases we are interested in, we now need to look for the existence of specific EU region-building policies to individually identify the regions. We determine whether such a policy exists or not on the basis of EU policy strategies issued by the EEAS, by those Commission DGs that predominantly deal with external action, the so-called 'RELEX family'[44], and – in individual cases – by the Council and the European Council. The respective documents were retrieved from the websites of the different institutions and from the databases of international agreements maintained by the EEAS (EEAS 2013) and the Council (Council 2013a). In some cases, policy documents that were not publicly available had to be requested from the EEAS, the Commission or the Council according to the procedure established by Regulation (EC) 1049/2011 on public access to documents (European Parliament and Council of the European Union 2001). This information was contrasted with the literature in order to ensure that no cases were left out of the survey.

[43] In practice, this does not exclude any particular case since the operationalisation of our independent variable in chapter 4.3 also includes 'low-threshold' instruments as the praise of regional cooperation in speeches or public utterings.

[44] This includes DG ELARG, DG DEVCO (before 2011: DG DEV and DG AIDCO), DG TRADE and DG RELEX before the start of the EEAS in December 2010. FPI, the service managing the implementation of several EU foreign instruments, is not included, as it has no strategic functions. DG ECHO, the Commission's DG responsible for humanitarian aid, is also not included as it lies in the nature of humanitarian aid that it can only be programmed to a limited extent. Other DGs with a prominent external mandate as DG CLIMA and DG ENV are not included here as their international activities take place predominantly in global multilateral arrangements.

Cases were included in our mapping if they met two criteria. First, the respective EU policy had to have been active at least between the end of 2010 and mid-2012 at the very least. A follow-up check in 2015 showed that there were no newer policies to add. The second criterion to conduct our mapping follows from our interest in the EU's impact *beyond* its own borders. As a consequence, we only consider groups whose membership involves a considerable number of states that are not – or not yet – members of the EU. Table 2.2 below summarises these two criteria.

Criteria to map EU promotion of regional cooperation
Population consists of relationships between the EU and regionally confined groups of states towards which… • an EU region-building policy exists, • and whose membership is formed by a considerable number of states that are not EU members.

Table 2.2: Criteria to map EU promotion of regional cooperation

The results of our mapping show that the EU encourages regional cooperation virtually all over the globe. We identify 31 regions towards which the EU sustains a region-building policy. Only a few states in the world do not belong to at least one of these regions. Nonetheless, a 'blind spot' and some 'grey areas' do also become apparent: neither Canada nor the US belong to any of the regions focused on by such policies.[45] And while Russia belongs to several region-building policies promoted by the EU, the focus of these policies does clearly lie on strengthening regional cooperation among Asian states and Russian participation remains anecdotal at best.[46] Similarly, Australia and New Zealand are involved in the EU's relationship with Asia, but certainly with a role derived from being important regional stakeholders. The results of the mapping are shown in table 2.3 below. The table lists EU relationships with regions and not with individual regional organisations, therefore reflecting the broader scope of our study as compared to studies that concentrate on relationships between formal ROs. It also reflects that EU strategies often target particular regions rather than individual organisations. Therefore, some relationships include EU engagement with several regional organisations in a single region. The clearest example for

[45] While the EU seeks to strengthen the Organisation of American States (OAS), to which the US and Canada belong, the focus of both the OAS itself and of the EU is clearly on Latin America.

[46] In fact, Russia rejected to be included in the ENP at the time of its inception, and therefore also in its region-building components. Instead, Russia sought a privileged approach from the EU, in a move that exemplifies how region-building policies are contested by the changing patterns of international relations (cf. section 1.1.1 above). This approach was framed in the so-called four common spaces of EU cooperation with Russia: economy, legal cooperation, external security, and research, education and culture.

this is the EU-Western Balkans case, where a large number of organisations pursuing functional cooperation in specific areas (e.g. energy, trade, etc.) are subsumed under the common goal of promoting cooperation in the region.

To simplify the overview of EU relationships with regions beyond its borders in which the EU tries to encourage regional cooperation, the individual instances are classified in different categories. The categories reflect whether the relationships have a continental scope, are focused on formally organised sub-regions, on loosely defined groups of countries or incorporated in the two policy frames that govern EU relationships with its closer neighbourhood: the European Neighbourhood Policy (ENP) and negotiations to enter the EU. Obviously, sub-regional relationships are often also part of larger relationships. For example, the relationship between the EU and the African continent also embodies the relationship with ECOWAS. Annex A to this thesis presents the list below in more detail, also including the individual strategy documents in which the EU outlines its intention to encourage regional cooperation in the respective region.

Institutionalised bi-regional relationships	**Relationships with formal sub-regional organisations**	**Relations with groups of countries**	**Sub-regional and multi-country initiatives in the ENP**	**Accession-related sub-regional cooperation**
EU-Latin America and the Caribbean	EU-League of Arab States	EU-Sahel	EU-Eastern Partnership	EU-Western Balkans
EU-Africa	EU-West Africa (ECOWAS/UEMOA)	EU-Central Asia	EU-Black Sea region	
EU-Asia	EU-Southern Africa (SADC)	EU-Arctic region	EU-EuroMed / Union for the Mediterranean	
EU-East Asia	EU-Central, Eastern and Southern Africa (COMESA)		EU-Maghreb	
EU-Europe (CoE)*	EU-Eastern Africa (EAC)		EU-Arab Mediterranean Countries	
EU-Europe (OSCE)*	EU-Indian Ocean Region (IOC)			
	EU-Central Africa (CEMAC, CEEAC, CEPGL)			
	EU-Caribbean (CARICOM, OECS, Cariforum)			

	EU-Andean Region (Andean Community)
	EU-Central America (SICA)
	EU-Southern Cone (Mercosur)
	EU-Persian Gulf (GCC)
	EU-Pacific region (SPC, PICTA)
	EU-South East Asia (ASEAN)
	EU-Southern Asia (SAARC)
	EU-Horn of Africa (IGAD)

*The EU's relations with the OSCE and the CoE are governed by different strategies / memoranda – otherwise they could be presented as one single relationship.

Table 2.3: Relationships between the EU and regions with an EU region-building policy[47]

As we can see from this list, EU encouragement of regional cooperation spreads to all continents and takes different forms. It ranges from relationships with encompassing, but non-binding common agendas as the EU-Africa relationship and its Joint Africa-EU Strategy, over highly-institutionalised relationships with sub-regional organisations such as the EU-Central America association governed by an association agreement with a trade accord and binding commitments, to loose attempts to engage groups of countries that barely view themselves as a region as in the EU-Sahel case. It further becomes apparent that EU efforts in promoting regional cooperation reach from engaging with and further supporting regional cooperation and integration where it already exists (the case of the Andean Community, the AU or ASEAN) to trying to foster regional cooperation where there was none before (e.g. the Western Balkans, Euromed / Union for the Mediterranean or the Sahel).

The table above shows that EU promotion of regional cooperation is a widespread phenomenon – even if some of the statements of EU officials reflected in the previous paragraphs express declining optimism over the last years regarding its effects, certainly also as a result of the growing relevance of emerging powers demanding a privileged EU approach. As a widespread phenomenon, also political science literature in general and academic research focusing on the EU in particular have developed different theories to

[47] To present the list as concisely as possible, the different organisations are mentioned in acronyms here. The full denominations are listed in Annex A.

study the EU's impact on regional cooperation elsewhere. The following section briefly reflects upon the most relevant approaches and highlights in how far they are suited to study the questions posed by this study.

2.3 Theoretical perspectives on EU promotion of regional cooperation

In light of our research question and in order to be able to develop an appropriated theoretical framework, we must know which approaches the existing literature offers to survey (the EU's) external influence on regional cooperation elsewhere and in how far these approaches can provide a basis for our research. For the sake of avoiding lengthy reviews of the rich literature on EU external action or the even broader IR literature, this review concentrates on the efforts that have been undertaken so far to analyse in how far regional cooperation and integration can be influenced and promoted from the outside.[48] It will show that there are both desiderata in the literature in this regard as well as different foundations on which to build a suitable explanatory model. These results then provide the basis for the development of an explanatory model in Part II of this thesis. This review takes up the keywords that were discussed in chapter 1 as regards the academic relevance of this project and therefore looks for the contribution that existing approaches could make on three aspects: impact assessment, providing a perspective that goes beyond systemic argumentations, and expanding the range of cases typically covered by the literature.[49]

Until recently, research on the active promotion of regional cooperation and integration has often been rather descriptive and certainly a *niche* of either EU studies or IR. Academics arguing from the perspective of EU studies have often concentrated on discussing the EU's intention to encourage regional cooperation and integration and how far this represents a novel, outspokenly multilateral approach in foreign affairs .[50] Studies

[48] While the theories reviewed here could in principle also be applied to the external influence of any other regional organisation than the EU, the literature does clearly focus on the EU as the RO that does most obviously conduct an own foreign policy / external action.

[49] The ensuing part of this section is updated and expanded from a paper presented by the author at the 7th Annual Graduate Conference at the Hebrew University in Jerusalem in December 2011.

[50] While encouraging regional cooperation and the relations between regional organisations is certainly a contribution to a 'negotiated world order' when compared to plain bilateral relations between states, the frequently connected bi-regional preferential trade treaties have often been

that would allow for an empirical analysis of the effects of these efforts have often had its origin in the discipline of IR. As a consequence, they commonly adopted a rather systemic perspective. This perspective is concerned with the impact that regional cooperation and integration may have on how international actors deal with each other and on the whole realm of international relations (e.g. on cooperation in international institutions cf. Rüland 2010; Dent 2004). Focusing on approaches that go at least one step beyond the systemic perspective, this review starts with models drawn from interregionalism studies, continues by reviewing the external governance approach and concludes with the scholarship on the EU's role in transforming border conflicts by promoting (regional) cooperation. In following this sequence, we gradually move from models that argue from a more systemic perspective to models that also include a micro perspective.

Insights from the study of interregionalism

In the IR literature, the thesis that the EU promotes regional cooperation and integration well beyond its borders has been put forward most frequently by scholars in the field of interregional relations, making this field of study the obvious start of our review. These scholars have read the EU's efforts in promoting regional integration from the point of view of their theories and argued that the EU seeks to promote "regionalism through interregionalism" (Hänggi 2003: 199; similarly Santander 2005). Although interregionalism studies are indeed characterised by their theoretical eclecticism as several scholars from this field have argued (Rüland 2002: 9–10; Söderbaum and van Langenhove 2005: 252–3), most of the studies in this area have been led by realist and liberal institutionalist understandings of IR. Out of the interregionalism literature, the following paragraphs will review two models that seem useful for researching the promotion of regional cooperation.

Institution-building in interregionalism

Starting from a liberal-institutionalist perspective, Jürgen Rüland (2006: 302–6) has argued that the engagement of the EU with other regions and groups of states can encourage the setting up of regional institutions elsewhere. Such an influence in the creation of institutions can in theory happen by two means. Firstly, the states the EU engages with may wish to set up common institutions to cooperate among themselves in view of a stark

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criticised as hampering the development of a truly multilateral trade system with global rules applying to all actors (most prominently by Bhagwati 2008).

asymmetry between their own political cohesion and that of the EU. Secondly, less powerful states may want to push forward cooperation with the EU to improve their position in their own region by making it more predictable through stronger regional institutions (Hänggi 2003: 199). The difference here lies in the motivations for increased cooperation and is of less relevance at this point of our analysis. What is relevant is the fact that in both arguments cooperation does not result because the EU *deliberately* encourages it but by sheer exposure to the EU, i.e. cooperation between the EU's partners is a by-product of the EU's relations with them.

Understanding closer regional cooperation as a deliberate decision taken by individual actors, the model does go beyond a purely systemic perspective. But how does it fare in light of the two other aspects that orient this review: assessing impact and allowing to broaden the cases studied? While the broad understanding of institutions on which this model is based – institutions are conceived as enduring and interconnected rules and practices that assign roles to actors, guide their behaviour and influence their expectations (cf. Keohane *et al.* 1995: 4–5) – would allow to use it to analyse the EU's impact not just on formal ROs but also on less institutionalised forms of cooperation, the model seems ill-equipped to trace causality to an extent that allows us to assess whether further closer regional cooperation in a region can be related to EU influence or not. While it looks at feasible motives (stark asymmetry towards the EU and 'anchoring' the own region with a predictable partner), it does not delineate a causal chain to connect these motives to a particular behaviour. It becomes clear that this model cannot be the only theoretical basis to trace EU promotion of regional cooperation and that further analytical frameworks need to be explored. Nonetheless, the motives outlined by the model may well describe possible scope conditions.[51]

Collective identity-building in interregionalism

With Julie Gilson's (2002: 20–5) collective identity-building hypothesis, a second explanatory model for the promotion of regional cooperation was added to the literature. Although it is still nested in a systemic perspective that explores how regions influence

[51] See section 3.4 below.

international relations, this model relies on social constructivism. It tries to explain the influence that engaging with a stronger, more coherent region like the EU can have on other groups of states. Gilson sets up the hypothesis that the self-perception and identity of a group of states will change if it engages with another group. This change in self-perception may then affect its interests and, by implication, its behaviour. According to Gilson, the influence on self-perception can take two different paths. Firstly, cooperation between states can change how political elites perceive themselves (e.g. as speaking not only for themselves, but also for their neighbours) and encourage more cooperation. Secondly, the perception of the interlocutor (in this case by the EU) can shape a common identity that encourages cooperation as well.[52]

If one surveys the model regarding its ability to consider the impact of an external policy, we see that tracing the causality of such an impact empirically is extremely difficult due to the struggle of identifying the exact reasons for a change in self-perception – especially if assessed without taking into account further possible influences on regional cooperation (e.g. economic support or pressure). Yet, the model points at an interesting concept that can be useful in the context of this research and in combination with further explanatory factors. Gilson argues that a group of countries "may, in fact, derive its own identity in part as a result of being accepted as a 'region' by a discernible and pre–defined regional other (...)" (Gilson 2005: 310). From this quote, one can deduce a rather untraditional concept of power: power is not only a matter of economic strength or military muscle – but also of having a common identity and visibility (in Gilson's terms: being "discernible and pre-defined"). Similarly to the institution-building model, the asymmetry between the EU and its respective counterparts is the main explanation for the strengthening of regional cooperation. In line with the model's social constructivist inspiration, the creation of a common identity is thus explained by the challenges of facing a materially more powerful partner, but mainly as a result of the wish to define oneself in opposition to others. In Gilson's terms, the engagement with the EU acts as a "mobilizing agent" (2005: 310) for East Asian cooperation. As with the previous model, flexibility to adapt to both regional organisations and looser groups of states does not seem a problem,

[52] Gilson (2005: 320) argues that this has been the case in South East Asia as a consequence of the engagement with the EU in the 'Asia-Europe Meetings' (ASEM). Such cooperation can also rest on the wish to differentiate oneself from others.

especially taking into account that the Gilson's model was designed to analyse ASEM, which has itself a hybrid structure.[53]

External governance approach

The external governance approach put forward by Sandra Lavenex (2004) and further developed by Lavenex and Frank Schimmelfennig (2010) is a further way of conceptualising the EU's efforts to influence international affairs. Its strength lies in that it does not only consider the 'traditional' means of foreign policy as represented by the CFSP but is in principle applicable to the whole range of its external action. Since the matter under consideration here - promotion of regional cooperation - touches upon a whole range of EU policies (trade policy, development policy, neighbourhood policy, enlargement), we will briefly review the potential of the approach in the following paragraphs.

Starting from the assumption that the EU attempts to transfer its own rules and policies to influence third countries, Lavenex and Schimmelfennig outline three different modes of external governance: hierarchical governance, network governance and market governance. Hierarchical governance makes use of binding prescriptions and is seen as limited to accession countries and, to a limited extent, to states in the European Economic Area. Network governance relies on voluntary agreements with other actors; objectives are set between the EU and others but they are implemented according to national rules. Such governance arrangements would be especially common in association agreements. Market governance argues that rules are established and propagated through competition with other rules. Such governance occurs for example when internal EU rules (e.g. competition policies) create such externalities that affect the behaviour of external actors (Lavenex and Schimmelfennig 2010: 7–9).

The external governance approach provides useful insights and is in principle flexible enough to accommodate different types of addressees of EU influence (e.g. regional organisations, individual states, etc.). Nonetheless, it becomes clear that especially

[53] ASEM is not a meeting of two regional organisations, but a format that involves member states of two regional organisations (the EU and ASEAN) and the regional secretariats, three states close to ASEAN (China, Japan and South Korea) and a number of further states (India, Mongolia, Pakistan, Australia, New Zealand and Russia).

hierarchical governance is applicable only to a limited number of cases. Since the approach strongly concentrates on the 'EU part' of external governance, it does not allow to trace the EU's impact all the way down to the agency of local actors. It concentrates on how the EU acts in different policy contexts rather than on the process of transfer and implementation of the policies. As a consequence of this, the model is not applicable as an analytical framework for our study. It can be useful though as an overarching taxonomy to classify what the EU does in which policy areas and to capture why the EU is inclined to different modes of governance in different contexts, a choice that is likely to influence its impact. Lavenex and Schimmelfennig also advance some ideas on how the adoption of norms could be measured (2010: 17). These ideas deserve a closer look and can inform the operationalisation of variables later on.

Scholarship on the EU's role in the transformation of regional conflicts

The EU's role in encouraging regional cooperation beyond its borders has also been explored by a ramification of conflict research. This literature has explored how the EU tries to promote regional cooperation in order to reduce the virulence of regional or border conflicts and transform them at least into peaceful disputes. This work has been put forward mainly by Thomas Diez and others (Diez *et al.* 2006: 571–3; Diez *et al.* 2008) and has outlined four different theoretical models to explain the EU's impact in promoting regional cooperation.

Although the work by Diez *et al.* has concentrated mostly on cases in the EU or bordering on the EU and thus the explanations rely heavily on the transformative power of an accession perspective on candidate states, three of the four theoretical paths it outlines could also be applied further away.[54] These three remaining explanatory frameworks are termed 'compulsory impact', 'enabling impact' and 'connective impact' by their authors. 'Compulsory impact' explains the promotion of regional cooperation through 'carrots and sticks'. Following this argumentation, the EU can set incentives (e.g. accession, association agreements) to promote regional cooperation. 'Enabling impact' would rely on providing

[54] We exclude the fourth one, "constructive impact", because it relies on a change of identities of conflict actors through a continued and intensive exposure to a 'European' discourse (cf. Diez *et al.* 2006: 574). Such a strong exposition seems feasible only in the EU or its most immediate neighbourhood and therefore hinders the applicability of the model to a broader set of cases. A recent book, co-edited also by Thomas Diez, expands the cases by including studies further away from the EU (Diez and Tocci 2017).

conflicting actors with a new context to legitimise their departure from conflict (e.g. legal frameworks or arguments of the kind 'Europeans have achieved economic progress because they refrained from fighting each other') and, finally, 'connective impact' refers to supporting exchange between conflicting parties.[55]

In how far can these three pathways of conflict transformation be applied to our research on the promotion of regional cooperation? How do these explanations fare with regard to impact assessment, going beyond a systemic perspective and allowing to expand the range of cases typically studied?

Firstly, all the models are flexible enough to capture the involvement of the EU with states, regions and even non-state groups and have indeed already been applied to different types of actors (from regional organisations, over individual countries to sub-national entities).[56] Secondly, it seems possible to trace the causality of the EU's influence in the three models, albeit to different extents. The case of 'enabling impact' is certainly the easiest in this regard as the impact can be traced by analysing the discourse of conflicting actors. Also in the cases of compulsory and connective impact it should be possible to find enough empirical material to connect regional cooperation to the EU's influence. It does nonetheless remain uncertain whether such an impact could be isolated from other, exogenous influences – one of our key motivations to favour micro views over systemic approaches. Thirdly, we see that, while all models look beyond a purely systemic perspective, unfortunately only the enabling impact model explicitly focuses on the active agency of the addressees of EU action as it considers how local actors adapt EU influence to legitimise changes in their behaviour. Therefore it is the only of the three models that explicitly opens up the 'black box' inside the regions and organisations addressed by the EU meeting a central condition outlined in the introduction: to reflect local factors.

[55] The so-called San José dialogue in the 1980s in which the EU contributed to solve the conflict in Central America by seating the states of the region around one table can be seen as a successful case

[56] The cases included in Diez *et al.*(2008) are Northern Ireland, Cyprus, Israel-Palestine and Baltic states-Russia.

In search of an eclectic approach

The paragraphs above have reviewed a number of models drawn from three strands of IR and EU studies that could in principle be applicable to assess our research question since they do at least take a step beyond the perspective of the international system. Our review has shown that almost all the models include some relevant points for our analysis. All of them are flexible enough to meet one of our main criteria: being able to accommodate different addressees of EU influences without regard to their precise nature as formalised regional organisations, (groups of) individual states or loose regional initiatives. While the collective-identity building approach drawn from interregionalism studies is difficult to test empirically, its constructivist premises shed light on a broader definition of power that can be very useful to analyse the EU's 'soft power' or 'power of attraction' when encouraging regional cooperation. In a similar vein, the institution-building approach coming from interregionalism studies is also complicated to assess empirically, but highlights two motives that can alter the EU's impact on other regions: stark organisational asymmetry in comparison to the EU and the wish of small states in a region to gain more legal and political certainty in their own region by engaging with the EU. The external governance approach highlights different EU approaches when dealing with partners but does not factor in the agency of the local actors to a degree that would allow for testing the impact of specific EU actions. Finally, the approaches stemming from research on the transformation of regional conflicts highlight the diversity of possible EU influences on regional cooperation beyond its borders (incentive-based, discursive and mediation-based), but only the discourse-based focuses explicitly on how EU partners might actively react to and use an EU influence. In sum, the review highlights that the literature offers quite a large number of possible explanations that should be taken into account to assess the EU's impact as region-builder beyond its borders. It also shows though that none of the models reviewed suffices by itself to cover sufficient possible explanations and to assess them in practice. This conclusion calls for a synthetic model that allows factoring in different motives and causal chains to explain whether and how local actors may react to EU influences. At the same time, the desired model needs to accommodate these – and possibly further explanations – under one common framework that allows to compare the influence of different factors.

Conclusion

Regional cooperation is a global phenomenon in which a number of states decide to jointly exercise political authority in intergovernmental institutions. In this study, regional cooperation is understood as a phenomenon comprising at least two or more states that are geographical neighbours. This exercise of political authority can span from mere *ad hoc* cooperation on a specific political issue to the permanent transfer of (some degree of) sovereignty to a regional body above the states. In the latter case, we speak of regional integration. Regional integration can therefore be seen at the end of a continuum describing different degrees of regional cooperation. The transfer of sovereignty can span from a one-time authorisation to a regional body to exercise a specific authority to the permanent transfer of policy fields. While regional *integration* obviously requires some kind of regional organisation towards which sovereignty is transferred, regional *cooperation* can function without a regional body.

The overview of EU activities to promote regional cooperation beyond its borders allows us to distinguish between regional *objectives* and regional *formats*. Regional objectives are substantive political goals in which regional solutions are privileged above bilateral ones, for example the regional management of conflicts. Regional formats are ways of engagement used by the EU instead of bilateral ones or complementing them. Trade negotiations with sub-regional groups as pursued with African regions are a case in point. While regional objectives and formats do often go hand in hand, objectives are often also pursued bilaterally (e.g. regional cooperation as a part of the bilateral Stabilisation and Association process with Western Balkan states) and bilateral objectives can be dealt with in regional formats.

Several possible factors contribute to explain the EU's long-standing tendency to encourage regional cooperation beyond its borders and to privilege regional approaches over bilateral ones. The wish to justify its own *sui-generis* role in the international system as a regional organisation towards its own member states and towards other international actors does certainly play a role. The EU's own institutional development and the need to ground any new activity according to the principle of conferral of competences may have encouraged the EU to develop foreign policy activities along already transferred

competences with an eminently regional set-up, such as trade or economic policy. Also, opening up markets for European traders ranks high among the EU's external objectives. Doing so with regionally constituted markets could provide certain benefits of scale and higher legal certainty. Similarly, tackling clearly regionally constituted interdependences like regional conflicts is an argument often mentioned by the EU itself. It becomes apparent though that none of these rational arguments can explain on their own, or even in conjunction, why the EU privileges regional approaches even when they are more complicated and less promising than bilateral ones. Interviews with EU policy-makers reveal that the normative conviction that regional cooperation is 'right' or 'good per se' is very present in their mind-set, albeit with a decreasing degree of optimism as regards the results of the EU's policy. In sum, the EU's motivation to encourage regional cooperation beyond its borders stems from a mixture of rational motives, institutional path-dependency and normative conviction.

A geographic mapping of the EU's activities to encourage regional cooperation shows that these motives spark action on an almost global scale, covering 31 relationships with other geographical regions for which the EU has formulated a region-building policy - often including several regional organisations in each of these regions. This phenomenon has also found its way into academia and more specifically into theoretically grounded approaches in political science. A review of different approaches taken in IR and EU studies reveals that there are several docking points in the literature to study the impact of EU promotion of regional cooperation, but that none of them provides a sufficiently encompassing approach. Therefore the role of the next part of this thesis and of the ensuing chapter three in particular will be to develop a theoretical model that allows us to take into account several strands of thought to assess "*how, to what extent, and under what conditions the EU [does] succeed[s] in promoting regional cooperation beyond its borders*".

Part II An Analytical Framework to Study the External Promotion of Regional Cooperation

3 Theoretical framework

The aim of this chapter is to develop a theoretical model that allows us to find answers to the research question guiding this work – *"how, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?"* – as well as to the sub-ordinate research questions. The model shall allow to discern how the EU tries to achieve its goal of promoting regional cooperation beyond its borders and how successful that effort is. It will also draw a road map for the empirical analysis in chapters 6, 7 and 8. This chapter argues that a diffusion framework that incorporates hypotheses from several strands of thought is the best suited approach to tackle the diverse paths through which the EU potentially influences regional cooperation and integration elsewhere in the world.

This argument is developed in four sections. The ensuing section 3.1 outlines the expectations the model needs to meet in order to add to already existing work. Starting from this basis, section 3.2 develops the explanatory model, moving from the general to the specific. It first selects an appropriate diffusion approach, then adapts its parameters to the study of our research question and defines the dependent and independent variables. The two following sections move to the core of the model developing the hypotheses that will be tested in the empirical parts of this study (3.3) and formulating the scope conditions under which the hypotheses are expected to be most applicable (3.4). A conclusion sums up the model and connects it to the ensuing operationalisation chapter.

3.1 Guiding criteria

To clarify how to undertake an assessment of the EU's success in promoting regional cooperation, it is helpful to first think about the matter in an abstract way. From such a perspective, a theoretical framework which captures and assesses the EU's influence on regional cooperation beyond its borders needs to take into account a number of interactions and link them together: (I) the structure and setup of the engagement between the EU and other regions and states as well as the decision-makers involved on both sides; (II) the instruments used by the EU and their content and; finally, (III) how the use of these

instruments might translate into local impact. Translating these complex interactions into a parsimonious explanatory framework is done best by unpacking them into their different elements. Each element will now be discussed to distil the necessary components of the explanatory framework.

Structure and Flexibility

A challenge stands at the beginning of our model: creating one common model for different cases of regional cooperation which diverge in their set-up. Thus, a model combining structure and flexibility is needed. This can be achieved by conceptualising the process of having an impact on regional cooperation as involving a sender and a receiver of influence. In this process, the EU is regarded as the entity exercising influence and the counterpart states and institutions as those receiving the influence and reacting to it. This is in line with the research questions of this thesis. At the same time, such a setup accommodates the EU's relationships with both states and regional organisations and allows to consider the idiosyncrasies inherent to each case. Consequently, a model is needed which posits the EU's actions to promote regional cooperation as the independent variable and the response from the EU's counterpart as the dependent variable. Figure 3.1 below shows the general setting of the explanatory model. Starting from this observation, the precise nature of the independent and dependent variables and the hypothesized connection between them will be further elaborated on in sections 3.2.3 and 3.3 below.

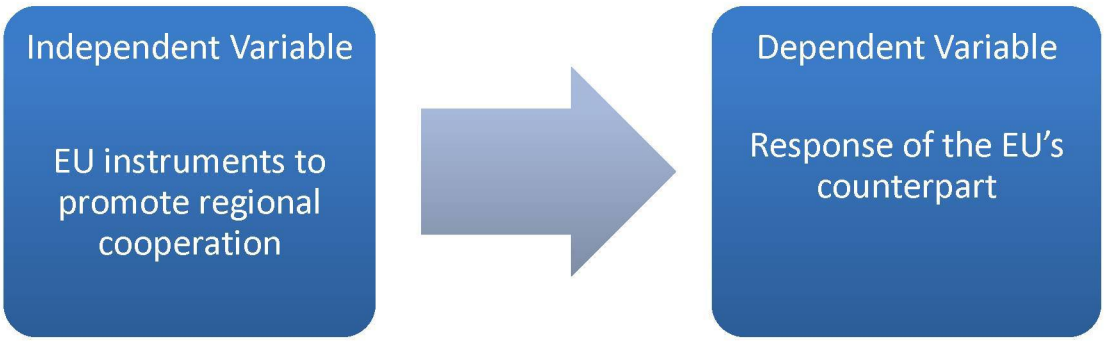

Figure 3.1: General setup of the independent and dependent variables

Plenitude

In a second step, connecting independent and dependent variables, it can be concluded that EU influence on regional cooperation beyond its borders may come through a range of

paths. It may, for example, consist in development assistance offered by the EU, which may or may not be explicitly conditional upon specific achievements by the EU's partner in the field of regional cooperation. In a similar vein, the EU may exert direct pressure on an actor to pursue regional cooperation against that actor's declared will, thereby applying coercion. Taking into account the EU's role as the world's most developed regional integration project covering more policy areas than any other comparable organisation, its experience may also have an influence on others without the direct, active involvement of the EU. This could be the case simply by providing an example that others choose to follow especially when engaging in cooperation in novel policy areas – or even by providing an example that others seek to avoid.[57] What all these paths have in common is that they can be understood as the result of *instrumental* calculations by the respective actors oriented at solving specific functional problems.

But one may also think of other ways of influence for the EU that can be better explained leaning on constructivist ontology. Through the political dialogues it sustains with almost every region or country it deals with, the EU may convince other actors that a certain policy or institutional solution is the correct one for a given local situation. Finally, and again taking into account the EU's character as the most developed regional integration scheme to date, another possible mechanism of influence comes to mind, namely the possibility that other regional organisations or cooperation endeavours may emulate EU institutional solutions to enhance their legitimacy.[58] In this context, the primary goal is not to solve specific functional problems, but to address ideational matters such as legitimacy.

It can be concluded from the arguments presented above that the theoretical model will be of a higher explanatory value if it combines at least two different explanations that explain the influence of an international actor. In order to accomplish this, the model will include hypotheses derived from two strands of thought. On the one

[57] The clearest example for such a development is the fact that – in light of the complications of the sovereign debt crises in the Euro Area - several regional organisations have stepped back on their once declared objective of achieving a monetary union (see for example Ecowas Parliament 2012).

[58] In practice, such emulation may lead to a different behaviour than the template adopted. This behaviour seems feasible when one observes the institutional set-up of organisations such as SADC, which closely resembles the characteristics of the EU but functions in a very different way. This is discussed in more detail in the development of the hypotheses in section 3.3 below.

hand, a strand that focuses on material incentives and conditionality and, on the other side, a strand originating in social ontology focusing on social factors for influence such as the EU`s renown or a desire by the recipient to be praised internationally. The paths of influence and their attribution to different ontologies are summed up in table 3.1 below.

Ontology	Potential paths of EU influence
Material	Development aid / technical assistance Conditionality Coercion Learning
Social	Persuasion Emulation

Table 3.1: Ontological mapping of potential paths of EU influence

At first sight, the combination of different theoretical accounts may pose a problem in terms of comparability across the case studies analysed. This would be the case if different analytical frameworks relying on different variables or even different epistemological approaches were used. In order to minimise this dissonance, the theoretical model should accommodate all the possible paths of influence under one common epistemological framework, including a common definition of the dependent and independent variables. The next sections in this chapter will argue that a diffusion approach based on a common rationalist epistemology is the best choice for combining the two theoretical strands outlined above.

Attribution of impact

As well as covering the whole array of potential sources of EU influence on regional cooperation, the model also needs to offer testable explanations on how EU actions do or do not impact on the decisions and actions of *local* policy-makers. As identified in the introduction and in chapter two, an overly strong focus on structural and systemic explanations is one of the main shortcomings of the literature investigating the promotion of regional cooperation by external actors such as the EU. Often conferring the EU's counterparts limited agency, this view has frequently led to overconfident assessments of the EU's influence. The theoretical model in this thesis will therefore adopt a mid-range approach that incorporates the agency of the recipients of EU influence. Omitting the reactions of local actors to the EU's influence would represent a great short-coming in an analysis of the conditions for EU impact, especially taking into account that previous research has shown that the adaptation (or "localisation") of foreign norms or institutions is

essential for their success in a new context (Acharya 2004; 2009; Radaelli 2005). Summing up, this implies that the theoretical model needs to include two *loci* of action: what the EU does but also how its counterparts react to these actions. The ensuing section will show that the diffusion approach, which relies on causal chains to explain social and political processes, offers a good template to incorporate local agency.

Table 3.2 below summarises the requirements for the theoretical model as established in the preceding paragraphs. Keeping these criteria in mind, the following sub-chapter develops the building blocks of a theoretical model based on a diffusion framework.

Guiding criterion	Requirements for the theoretical model
Structure and Flexibility	Factor in EU actions as independent variable while being applicable to diverse setups on the dependent variable
Plenitude	Factor in ontologically diverse influences
Impact	Mid-range approach with a focus on local agency on the side of the dependent variable

Table 3.2: Guiding criteria for the main theoretical model

3.2 Building blocks of the theoretical model

This sub-chapter defines the main parameters of our theoretical model. After a clarification on the different strands of diffusion research (3.2.1), it adjusts the diffusion approach to our object of study (3.2.2), while focusing on incorporating the role of EU leverage towards other actors in the framework. Subsequently, section 3.2.3 closes the sub-chapter with a precise definition of the dependent and independent variables.

3.2.1 Three strands of diffusion research

Originating from communications research, diffusion is most generally defined as "the process in which an innovation is communicated through certain channels over time among the members of a social system" (Rogers 2003: 5). While this general definition has evolved, it already points at one of the main characteristics of diffusion research: its flexibility. Whereas this flexibility is one of the appealing advantages of the theoretical concept as it

provides a common framework to gather hypotheses and causal mechanisms[59] from different schools of thought, it also comes with a certain peril of eclecticism. It is therefore important to position the approach that will be used here in the academic debate on diffusion processes and – from there on – to specify and adapt the characteristics of the diffusion approach that are especially important when studying EU external action.

All diffusion studies have in common that they can be classified as part of a broader research agenda that investigates processes of policy convergence. Starting from the observation of a growing similarity between national policies and institutions (Elkins and Simmons 2005: 34; Holzinger *et al.* 2007a: 11), this research field defines policy convergence as the "tendency of policies to grow more alike, in the form of increasing similarity in structures, processes, and performances" (Drezner 2001: 53).[60] As the above definition shows, policy convergence defines a *result*. The *processes* that lead to this result have been grouped by the literature under the terms policy transfer and policy diffusion (Holzinger *et al.* 2007a: 13–4).

Nevertheless, the distinction between policy transfer and policy diffusion is not always consistent and the terms have often been used interchangeably and in different relationships to each other.[61] While Holzinger *et al.* (2007a: 17) propose a distinction between the two terms according to which policy transfer focuses on the "content and process of policy transfers" (micro level) and policy diffusion on the "sequences of adoption" of transfers (macro level), this distinction is certainly not upheld by the rest of the literature.[62] Not wanting to contribute to a division that is more of a semantic than substantive nature, this thesis follows the concept 'diffusion' as it is the one that is most widely shared across the disciplinary divide. It is also the concept under which proponents

[59] Causal mechanisms can be defined as "ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities" (George and Bennett 2005: 137).

[60] Despite its name, *policy* convergence does not just limit its focus to the realm of policy, but also includes *polity* (structures) and *politics* (processes) – as shown by Drezner's definition.

[61] This is demonstrated by the fact that Dolowitz and Marsh (1996: 344–5) regard policy diffusion as a precursor of policy transfer, others subsume diffusion under policy transfer (Bulmer and Padgett 2005: 106–7) and others again judge the two research areas as parallel to each other Holzinger *et al.*(2007a: 17).

[62] In addition, macro studies that investigate whether certain processes of diffusion appear more frequently in certain sequences of time are seldom and often look at correlations rather than at causal relationships (Gilardi 2005; see for example Gray 1973).

of the newest research in the field chose to subsume thoughts both from the comparative politics and IR strands (Börzel and Risse 2009; 2012a; Jetschke and Lenz 2011; 2013).

While almost all diffusion research shares the same assumptions and similar methods, it is important to note that it is divided along distinctions that are more motivated by a cleavage between disciplines than by substantive differences. With this in mind, one can differentiate three different fields of policy diffusion research, as pictured in figure 3.2 below. The first and older area of diffusion research gained prominence as field of study in the 1990s (Elkins and Simmons 2005: 36; Graham *et al.* 2012) and can be situated in comparative politics. This area appears most commonly under the label of 'policy diffusion'. A second and newer field of diffusion research – often termed 'norm diffusion' – is located within the IR discipline and focuses especially on the diffusion of international norms such as human rights (Finnemore 1993; Checkel 1999; Risse *et al.* 1999; Acharya 2004; 2009; Jetschke and Rüland 2009; Risse *et al.* 2013).[63] The third and newest field of research is closely linked to the research of Europeanisation – and thereby to EU studies. While discussions on how to make diffusion research more fruitful for EU studies existed before (Olsen 2002: 937–40; Jordan 2005), the prominence of this strand has been growing since the end of the 2000s (Börzel and Risse 2009; 2012a; Jetschke and Lenz 2013). Although this latter literature draws also from the IR field of diffusion studies, its focus on the transfer of institutions places it close to the comparative politics literature. This study draws most from the latter field. As the following section explains, the Europeanisation-inspired diffusion literature is the one that most closely factors in questions of leverage, a decisive advantage for a study that seeks to assess the EU's impact across different contexts.

[63] Although the IR diffusion research has taken up central terms from the comparative politics strands, the theoretical discussions in both areas have developed quite independently from each other. An attempt to draw the two strands together is undertaken by Holzinger *et al.* (2007b).

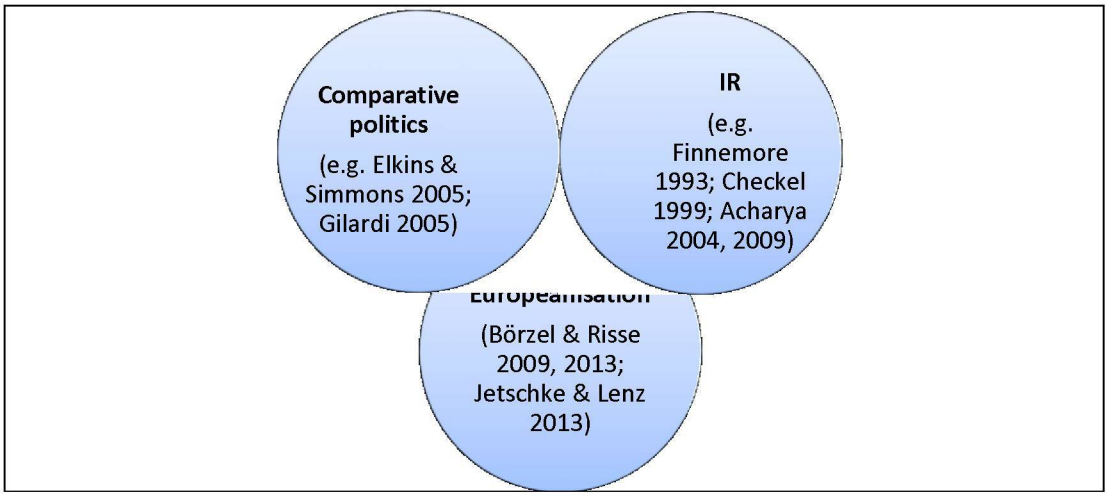

Figure 3.2: Three strands of diffusion research and respective studies

3.2.2 Adjusting diffusion to the object of study: the importance of hierarchy

What all strands of diffusion research have in common is that they strive to accommodate different theories and their respective expectations under a single epistemological and heuristic framework, thereby fulfilling the 'plenitude' criterion mentioned in the beginning of this chapter. This is a powerful argument to favour the diffusion approach against competing models as the ones presented in the literature review. To provide this common framework, diffusion delivers a set of common characteristics around which to group the hypotheses derived from different theoretical schools. These common characteristics ensure that the results remain comparable even across theories that focus on different ontologies.

This allows including both material and social mechanisms of policy transmission. A debate exists however on whether diffusion should only include processes of policy transmission on a voluntary basis or also those that involve a hierarchical or even coercive relationship between sender and receiver. While those that understand diffusion as a phenomenon that occurs in the absence of hierarchical relationships are in the majority (Elkins and Simmons 2005: 34–5; Tews 2005: 65; Holzinger *et al.* 2007a: 13; Jetschke and Lenz 2011: 454), this stance poses a problem when studying the influence of the EU on other actors as it limits the pool of possible cases to those states and regions towards which the EU has no hierarchic let alone hegemonic relationship, thereby excluding – for example

– states from its neighbourhood. Following such an understanding of diffusion would seriously limit the amount of possible research questions and hamper comparison across situations with diverging contextual conditions, as it would exclude significant variation in the EU's leverage on the cases studied.[64]

Furthermore, authors that reject coercion as a diffusion mechanism often maintain that hierarchical forms of transmission are already well covered by other theoretical strands such as policy transfer, regime theory (Tews 2005) or those focusing on regional hegemons (Jetschke and Lenz 2011: 454). While this argument is certainly true, it cannot be taken on board if the purpose of the study is to compare across different cases and mechanisms without applying a different (and potentially incompatible) theory to each of them.

This study therefore aligns itself with those authors that include 'coercion' as a possible mechanism of diffusion (Levi-Faur 2005: 25–7; Radaelli 2005: 926–7; Meseguer 2005: 72; Fuchs 2007: 184). In the context of EU external relations – and hence in the context of this study – it is important to note that coercion will in most cases be limited to the modification of incentives (conditionality) or to legal 'coercion' rather than to military threats, a point that has also been made by proponents of the Europeanisation strand of diffusion studies (Börzel and Risse 2012a: 6).

3.2.3 Dependent and independent variables

The EU's potential impact on other actors is conceived as a strand of action in which the EU represents the sender (i.e. the independent variable) and the EU's counterparts (states or regional organisations) are the receivers with their reaction to the EU's impact being the dependent variable.

The dependent variable, which in section 3.1 was still defined rather generally as the "response of the EU's counterpart", can now be spelled out in more detail taking into account the Europeanisation-inspired diffusion approach this analysis draws from. Such studies suggest concentrating on institutional change as the dependent variable, thereby

[64] This lack of comparative research across different levels of leverage was also identified in the introduction (see p. 13).

encompassing both the creation as well as the modification of regional cooperation institutions (Börzel and Risse 2012a: 3–4).[65] In the context of this research a definition of institutions will be applied, according to which…

> …institutions are social structures and systems of rules, both formal and informal, that have the potential to shape the behaviour of actors.

Box 3.1: Definition of institutions

With its focus on the effect that institutions may have on the behaviour of actors, this definition comes close to the normative institutionalist understanding from March and Olsen (1989: 17) as reflected for example by Keohane *et al.* (1995: 4–5).[66] This focus is important if we take into account that the objective of EU promotion of regional cooperation is not just to create or shape institutions but to have a lasting impact on the practice of regional cooperation. Therefore a definition is chosen that allows including formal institutions as organisations and rules but also highlights that these are expected to affect the actual interests and behaviour of actors. It follows from the research question that the study will focus on such institutions that can be considered as relevant for the overall development of cooperation in the respective region and that are – in principle – modelled after the aims of EU institutions, as these are the institutions that might have been subject to diffusion from the EU.[67]

The independent variable is formed by the use of the EU instruments to promote regional cooperation beyond its borders. While the specific EU actors and their actions may vary in the different case studies, it can already be advanced that these actions are likely to be present along the three broad areas of external action through which the EU engages with most other international actors: CFSP and political dialogue, technical and development assistance and trade policy. It is also important to note already here that the

[65] Choosing this established definition of the dependent variable makes also sense in the interest of a stronger consistency with previous studies. As Exadaktylos and Radaelli (2012: 31) note in a review of Europeanisation research, Europeanisation-inspired studies are too often characterised by having each a different way of defining their dependent variable.

[66] March and Olsen (1984; 1989) do not present an express definition of institutions but sketch out what elements they see as part of institutions: "Political democracy depends not only on economic and social conditions but also on the design of political institutions. Bureaucratic agencies, legislative committees, and appellate courts are arenas for contending social forces, but they are also collections of standard operating procedures and structures that define and defend values, norms, interests, and beliefs." (March and Olsen 1989: 17). For an overview on the different strands of institutionalism refer to Peters(2012: 36–7).

[67] This is elaborated in more detail in the case selection in chapter 5.

self-portrayal of the EU as a successful example of regional cooperation is to be understood as an EU action to promote regional cooperation abroad, as it is an active endeavour to shape its discourse and relationship with other actors.

Taken together, the independent and dependent variables can now be pictured as follows.

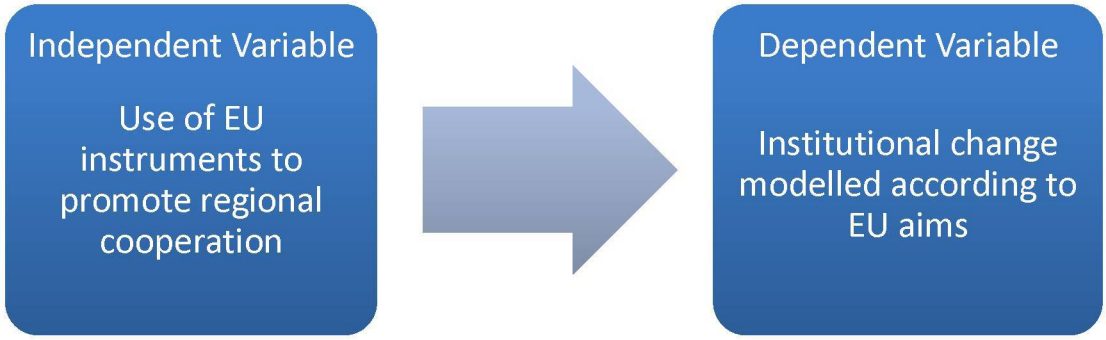

Figure 3.3: Visualisation of the independent and dependent variables

3.3 Paths of EU influence - hypotheses

Now that both the dependent and independent variables have been specified, it is possible to formulate hypotheses on the connection between the two. These hypotheses represent tentative and testable answers to the research question: *How, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?* and to its sub-questions.

Taking into account the two different types of potential EU influence on regional cooperation, the following paragraphs first develop hypotheses following the materialist strand of explanation and then move to the ones originating from social ontology. The hypotheses derived from materialist ontology are classified as utility-driven explanations and those from constructivist ontology as legitimacy-driven explanations. This denomination, which follows Heinze (2011), reflects the focus of the hypotheses most closely. Utility-driven explanations focus on the role of material incentives in explaining the potential impact of the EU on decisions to pursue regional cooperation. Legitimacy-driven explanations highlight the role of the EU in serving as an instrument for increased recognition (by the EU itself or by other actors, including local ones). It is important to

highlight at this point that the hypotheses will be formulated concentrating on the addressee of the EU's actions (i.e. from the point of view of the dependent variable). This is necessary as the ultimate goal of this research is not to enumerate what the EU has done to encourage regional cooperation but to test under which conditions EU actions lead to an actual *effect*. In this context, formulating the hypotheses from the point of view of the EU would not reveal anything regarding the EU's effectiveness.

3.3.1 *Utility-driven explanations: Incentives and Lesson-drawing*

Incentives: conditionality and assistance

Making material incentives conditional on the accomplishment of a certain step or policy is an approach that the EU has often used with accession candidates (cf. Schimmelfennig and Sedelmeier 2005b), the countries of the Stabilisation and Association Process (SAP) (see for instance Bieber 2011) as well as in its wider neighbourhood as part of the European Neighbourhood Policy (Baracani 2009; e.g. Sasse 2008). The principle behind such policies is to influence the utility calculations of the addressee by connecting the pursuit of or the compliance with a certain policy to material or political rewards (so-called positive conditionality) or by sanctioning non-compliance (negative conditionality). While incentives can be both of a material (e.g. access to funding) and non-material nature (such as an increased diplomatic relationship with the EU), this type of diffusion mechanism will be seen as an explanation built on a utility-driven rationality since incentives appeal to a rational logic of instrumentality and most of incentives that the EU can offer can ultimately be translated into benefits of an economic nature.[68]

In order to formulate a hypothesis to test for the effectiveness of conditionality, this study understands conditionality as the connection of an objective in a specific issue area with incentives or punishment – often in a different area. An example for such a connection is the conditioning of the negotiation of the Stabilisation and Association Agreement (SAA) between Serbia and the EU to the extradition of alleged war criminals to the International Criminal Tribunal for the former Yugoslavia in The Hague (European Commission 2007f). Therefore, if EU conditionality triggers agency by the EU's counterpart in creating or changing a certain institution, the justification for this action is likely to

[68] Furthermore, since non-material incentives will be well covered by the constructivist hypotheses explained later on, it is considered that adding them as an own causal mechanism also at this point does not provide an additional explanatory value.

connect the institutional change to an (expected) achievement in another area of the relationship with the EU. Therefore it can be expected that

H1a: if the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change to avoid the EU-imposed costs of not doing so.

Box 3.2: Hypothesis H1a – conditionality

While the formulation of the hypothesis presents conditions as a potential 'cost' that is communicated *ex-ante* by the EU to its partner, also EU-set *ex-post* rewards for institutional change can be included into this definition. After all, missing such an anticipated reward can be understood as an opportunity cost that the EU's partner incurs in case it does not act in accordance to the EU objective.[69] In practice, most of EU conditionality works with such opportunity costs rather than with direct costs, i.e. it connects a certain objective to the *ex-post* award of additional resources or the start of further political steps, as in the case of the above-mentioned example of the extradition of alleged war criminals.

Beyond the classical understanding of incentives as conditionality that was reflected above, it is also important to take into account that technical assistance, capacity-building measures and Official Development Assistance (ODA) can also be seen as incentives since they can be used to influence the cost-benefit calculation of another actor, especially when it stands before the decision to pursue a certain policy or to create or reform an institution. This is a distinct case from conditionality both from a political logic as from the logic of action that it entails. Politically seen, conditionality entails a strong sense of hierarchy. From the point of view of the logic of action, the provision of assistance aims at the achievement of specific objectives but is not conditioned upon them. Contrary to conditionality, assistance is usually granted *ex ante,* while conditionality requires the EU's counterpart to deliver first for the EU to act in accordance. It can be argued that in such cases,

[69] A term from microeconomic theory, 'opportunity costs' define the foregone income or value that would have emerged from selecting an alternative choice than the one chosen (Nicholson and Snyder 2012: 464).

H1b: If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because it has been supported by the EU for doing so.

Box 3.3: Hypothesis H1b - assistance

Lesson-drawing

Beyond the two cases mentioned above, in which the EU can be seen as the leading actor pushing for a certain institutional change, material factors and utility calculations can also be the decisive factor without a direct, specific involvement of the EU. This can be the case, for example, when the addressee of EU influence decides to pursue a certain institutional change because of the EU's successful experience with a given institution. Here, the above-mentioned role of the EU in highlighting its own success as a regional integration project comes into play.

Such cases have been termed lesson-drawing or learning in both the diffusion (Elkins and Simmons 2005: 42–5; Meseguer 2005; e.g. Rose 1991) and the Europeanisation literatures (Bauer *et al.* 2007: 414–5; e.g. Jacoby 2006: 62–4). Most likely, an institutional change of this kind will be observed in the absence of direct incentives offered by the EU. As a necessary, but not a sufficient condition, the EU's counterpart will in such cases justify the institutional change by functional reasons (e.g. the creation of a supranational court in a regional organisation is likely to be justified with a lack of legal compliance by the member states). Furthermore, as Richard Rose (1991: 23), the conceiver of the lesson-drawing concept (Holzinger and Knill 2007: 93), has highlighted, if such a change is motivated by material factors and utility calculations, it is to be expected that it is accompanied by a thorough evaluation of the advantages and disadvantages of the innovation. This may be observed, for example, in the commissioning of studies on the EU's experience with a certain institution (possibly comparing that option to others). The role of thorough and rational evaluation in lesson-drawing is further emphasised by the fact that it is conceived of as a process that can also lead to the modification or even rejection of a given template (Rose 1991: 26).[70] Summing up the above considerations, in the framework of our study the presence of lesson-drawing would imply that,

[70] The modification of policy templates as a result of rational evaluation is also discussed by Strang and Meyer (1993: 500).

H2: If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because it positively assesses the costs and benefits of a corresponding EU-level example.

Box 3.4: Hypothesis H2 - lesson-drawing

3.3.2 Legitimacy-driven explanations: persuasion and emulation

Beyond the above-mentioned mechanisms and hypotheses, both the IR-rooted diffusion research and the sociology of organisations point at further possible drivers of institutional change that may be linked to EU influence.

Persuasion

Research on the diffusion of international norms such as human rights has argued that persuasion can play an important role in the propagation of political innovations (cf. Risse *et al.* 1999; Simmons 2009). 'Persuasion' takes up constructivist ontology to capture cases in which the diffusion of political innovations (as norms or institutions) is presumed but no direct offers of material or ideational incentives let alone the use of coercion seem to be at the origin. According to this argumentation, norms are transferred or promoted by *convincing* the recipient that those norms are the most appropriate ones to follow. In other words, the sender influences and changes the initial preferences of the recipient. Persuasion processes have been seen as responsible for the dissemination of, for example, human rights' norms with the main driver for their adoption being the legitimacy given to them by international organisations such as the UN (Acharya 2009: 152). Political dialogues - as those institutionalised in most EU relationships with states or regional organisations – could be arenas for the diffusion of institutional change by persuasion.

Pinpointing cases of persuasion is more difficult than identifying diffusion by incentives or lesson-drawing for two main reasons. Firstly, research on persuasion in general faces a specific challenge as it is difficult to distinguish whether changes in preferences have actually been internalised or whether such changes are just being declared to the public.[71] But only actual changes in preferences can be considered (successful) persuasion. Jeffrey Checkel sheds light on this distinction with his discussion of

[71] The main difficulties in identifying persuasion are succinctly described by Deitelhoff (2006: 149–52).

'type I' and 'type II' socialisation. Type I socialisation or 'role-playing' implies that actors behave in accordance with a specific norm because it offers advantages in a given and specific context.[72] It does not imply that they are also *convinced* by the norm and change their preferences accordingly. Type II socialisation, instead, implies that actors accept and internalise the norm to the extent that they are convinced by its content and take it for granted (Checkel 2005: 804). This study can overcome this hurdle since it solely focuses on those instances in which institutional change has already happened. This means that the consequence of the alleged persuasion has already taken effect. Only *after* institutional change can be observed, this study inquires into the motivation behind it. If such a reform was discussed in negotiations between the EU and its partner(s) it may be the result of persuasion as long as the institutional change is preceded by a change in the assessment of its utility that cannot be ascribed to a lesson-drawing process. Still, a second difficulty remains, as it can be difficult to exclude hidden conditionality or bargaining tactics (as for example adopting relatively cost-free norms in order to gain a better position to be able to reject the 'painful' ones). In this situation, the safest approach is to argue that the absence of material incentives and of utility-related assessments is an indicator for persuasion.

In conclusion, while persuasion has to be taken with a pinch of salt, it's relevance in the literature and its role as a competing hypothesis to lesson-drawing still make it worth testing for. The existence of persuasion would thus imply that

H3: If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because it is convinced of its adequacy.

Box 3.5: Hypothesis H3 - persuasion

Emulation

The literature on the development of organisations has pointed to the possibility that organisations do not change or are created necessarily as a result of new functional demands. Instead, other reasons such as the pressure to increase their credibility, to legitimise their existence or their will to remain active may explain why organisations change. This broad line of argumentation on the development and change of institutions is reflected in the normative strand of neo-institutionalism (cf. March and Olsen 1989: 64–7; Brunsson and Olsen 1993), and especially in sociological institutionalism (cf. Meyer and

[72] Speaking in terms of our distinction of causal mechanisms, actors behaving in line with type I socialisation act according to a utility-driven rationality.

Rowan 1977: 345; Oliver 1991; Pfeffer and Salancik 2003: 147–52; Hall and Taylor 1996: 946–50).

One such explanation that builds on the relationship *between* organisations is the 'mimetic isomorphism' hypothesis put forward by the sociological institutionalists Paul DiMaggio and Walter Powell (1983; 1991). DiMaggio and Powell observe an increasing homogeneity between organisations. According to one of their explanations, policy-makers in charge of organisations may choose to imitate other organisations that enjoy a higher legitimacy, regardless of whether this is adequate for their own organisation's function and context.[73] Such behaviour is especially likely to happen under conditions of uncertainty, in which profiting from the legitimacy of an established and recognised organisation and its institutions – as the EU could be – may be especially tempting (DiMaggio and Powell 1983: 154; 1991: 69–70).[74] In other words, isomorphic organisations legitimise themselves *externally* by imitating others rather than *internally* by fulfilling their tasks. Translated into the context of our study, emulation would imply that,

H4: If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because it expects to profit from the reference to the EU.

Box 3.6: Hypothesis H4 – emulation

Beyond leading to the formulation of the above expectation regarding institutional change, the emulation mechanism also provides indications regarding institutional practice that are worth including in the specific context of this study. While already Di Maggio and Powell speak of "ritual" behaviour in institutional isomorphism and thereby implicitly point to a divergence between the design of an organisation and its behaviour in practice (1983: 151; cf. also Strang and Meyer 1993: 500), they do not expand on this divergence. But this discrepancy is decisive for two reasons. Firstly, it can be seen as a further indicator for

[73] DiMaggio's and Powell's thoughts build on similar – though less elaborate – ideas put forward by Meyer and Rowan (1977: 345). While Meyer and Rowan argue that a particular organisational design may become popular and legitimised once a certain number of actors have adopted it, DiMaggio and Powell also hypothesise on specific causal mechanisms behind the phenomenon.

[74] Besides the mimetic isomorphism reflected here, DiMaggio and Powell also highlight two other potential mechanisms by which organisations may become more homogenous: coercive isomorphism, driven mostly by legal and formal requirements of principals, and isomorphism through the fluctuation of employees between organisations. The important point in common is that these processes are not driven by the wish to improve the organisation's efficiency (DiMaggio and Powell 1983: 150–4).

emulation, allowing to sharpen the identification of the mechanism. Since emulation does imply that institutional change is not pursued to change or improve the performance of the respective institutions, a deliberate divergence between design and practice strengthens the evidence for emulation. Secondly, in the specific context of this study, emulation and such discrepancy may explain one of the situations mentioned in the previous section of this chapter: organisations that resemble the EU but act differently in practice; that is, presumably according to local needs and pressures rather than following the institutional model that was adopted. Such behaviour has been taken up by more recent literature under the label of a 'decoupling' between design and practice (Jetschke and Rüland 2009) and is also relevant to our research question, which aims to address the *success* of the EU's promotion of regional cooperation.[75] After all, if regional cooperation institutions are adopted but they do not result in a corresponding practice, then it is difficult to speak of a successful policy.[76] Instead, we may then have found a conceptual weakness of the EU's policy. Following these considerations, in cases in which we find the emulation mechanism at work, the empirical study will delve deeper and survey whether such emulation has also led to a discrepancy between institutional design and institutional practice. This 'emulation' mechanism completes our set of five hypotheses that will be used to find answers to our research questions.

3.3.3 Synthesis

The different causal paths are summarised in the figure below, showing their respective links to a materialist or constructivist ontology. The hypotheses arguing from a materialist ontology focus on utility-driven explanations, those arguing from a constructivist ontology focus on the role of legitimacy in exerting change.

[75] The mentioned study finds that elements of the EU's institutional framework have been adopted by ASEAN, but are not applied as they contradict the local practice of integration.
[76] Although the policy may then still be considered useful for the EU as it may itself draw legitimacy from the fact that others refer to it as an example even if they don't follow it.

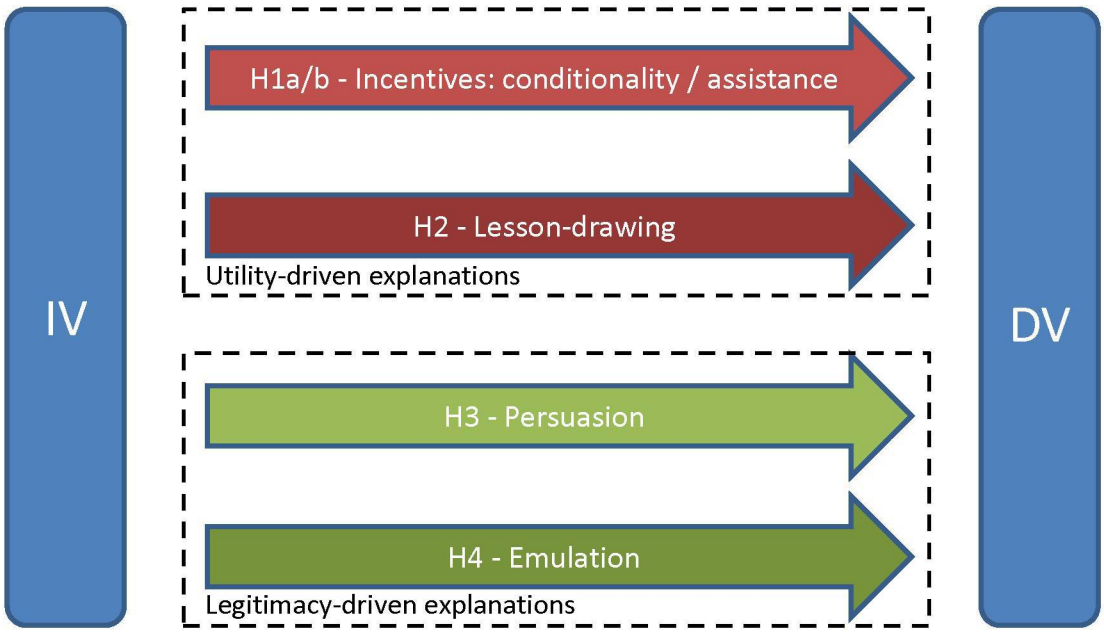

Figure 3.4: Visualisation of the hypotheses and the independent and dependent variables

The hypotheses developed in this section cover a wide array of possible paths of influence by which the EU may have influenced the emergence of regional cooperation beyond its borders. As the study deals with different policy fields (e.g. trade, development and political relations) for all of which the EU promotes regional cooperation as an essential element, it is unlikely that any of the mechanisms and hypotheses outlined above will appear in isolation from the others. It is for example perfectly imaginable that EU counterparts react to both incentives and persuasion efforts by the EU. Therefore, the analytical framework has to take into account that the hypotheses are not always mutually exclusive and that their impact needs to be ranked in order to assess which of the mechanisms was the most decisive one in each case (if any of them played a role). Furthermore, distinguishing the effect of individual causal mechanisms more precisely is a matter that has been regarded as an open issue by the theoretical literature on diffusion processes (Elkins and Simmons 2005: 39; Holzinger and Knill 2007: 105). Therefore, special attention will be devoted in the analytical framework to distinguish and rank the effect of the different causal mechanisms. Most of the effort in this regard will be undertaken in the following chapters when developing the operationalisation of the mechanisms and when choosing the methods of

analysis. But also the analysis of the scope conditions under which we expect the mechanisms to work more or less effectively, contributes to distinguishing the impact of the different causal mechanisms. The following section discusses the scope conditions and relates them to the different causal mechanisms.

3.4 Scope conditions

Scope conditions are qualifications of the general validity of a theoretical statement. For example, the existence of friction is a scope condition that modifies the general validity of the expectation that a stone and a feather dropped from the same height should arrive on the ground at the same time – as we would expect as a result of gravity. Translated into our study, scope conditions affect the existence or the magnitude of the effects of our causal mechanisms. They complement the hypotheses by stating the conditions under which the presumed causal mechanism is expected to apply and can be considered enablers and catalysts of diffusion processes.[77]

The role of scope conditions is especially important when using a diffusion approach. As they are defined across all the mechanisms analysed, they contribute to ensuring the consistency of the study. They are also especially relevant for the study at hand and for sub-research question three (SRQ 3: "How does EU leverage influence its success in promoting regional cooperation?") that strives to compare the EU's influence across different contexts because they allow us to reflect these diverse contexts of leverage in more detail and to integrate them into our analytical framework.[78]

The literature has identified a considerable number of scope conditions that enable or shape diffusion processes. These include the geographical proximity of political entities, cultural, institutional, or socio-economic similarities, but also other factors such as whether

[77] In the diffusion literature, the concept 'scope conditions' is used to denote factors that "mediate or filter" (Börzel and Risse 2012b: 198, in the same vein Holzinger *et al.* 2007a: 30–1) the effect of a diffusion process. A similar understanding prevails also in the related literature on socialisation (e.g. Zürn and Checkel 2005: 1048). This can be confusing as, outside of these literatures, the term is more frequently used to refer to conditions that delineate the domain of applicability of a specific theory. Following this latter understanding, scope conditions are necessary *pre*conditions that need to hold for a theory to be applicable at all (George and Bennett 2005: 25; Harris 1997).

[78] As Radaelli (2005) shows, the context under which institutions or policies are diffused are significant even in relatively homogenous areas as the EU and on rather technical and specific policies as the regulatory impact assessments he analyses.

the policies subject to diffusion aim at distributing income or not.[79] While all these are important factors that can play a role in diffusion processes in general, the scope conditions most relevant to this research can be found among those that have been identified by the strand of diffusion research that originates from Europeanisation. This is the case because the Europeanisation strand of diffusion research focuses strongly on relative positions in terms of power and development. As this strand stems from the study of the adaptation of member states and accession candidates to EU requirements, it is more familiar with the role of leverage in shaping diffusion processes, reflecting the afore-mentioned importance of hierarchy. This research has distinguished five broad types of scope conditions: Domestic incentives, degrees of statehood, regime type (autocratic versus democratic), the role of power asymmetries (Börzel and Risse 2012a: 10–3) and social (Jetschke and Lenz 2011: 457) or cultural proximity (Strang and Meyer 1993: 490–1).[80] Out of those five groups of scope conditions, three seem the most relevant for this study: domestic incentives, power asymmetries and degrees of statehood. They are presented in turn and, where necessary, expanded by parameters specific to the emergence and development of regional cooperation.

Domestic incentives

Domestic incentives, understood as national or regional pressures or incentives to act in a certain way, stand at the beginning of diffusion processes. They include several elements. First, crises or situations of uncertainty during which policy-makers need to reform established policies or create new ones are periods of time especially open to external influences. It is in such periods that a functional demand for new policies and institutions arises or in which sticking to an institutional template with a proven track record and legitimacy can reduce uncertainty. The role of crises or critical events as catalysts of change has been widely confirmed both by the historical institutionalist literature (here under the

[79] An overview on the different scope conditions identified in diffusion studies is given by Holzinger *et al.* (2007a: 30–1).

[80] Strang & Meyer do not belong to the Europeanisation school of diffusion research, but their work has inspired part of its research. Jetschke and Lenz do not actually explicitly use the term 'scope conditions' but they highlight the role that a common (colonial) history between sender and receiver of diffusion or the amount of reporting in local media about the sender may play in shaping the effectiveness of diffusion.

label of 'critical junctures', see for example Collier and Collier 1991: 29–31)[81] as well as by the scholarship on diffusion processes (e.g. Lenz 2012: 157).[82]

In addition, a second domestic incentive may appear in the context of regional cooperation. The policies or institutions promoted by the EU may be useful to address local disputes either between national policy-makers or between different positions of cooperating states. It is for example easy to imagine a situation in which a policy promoted by the EU is supported especially by smaller states in a regional grouping, which can then use the EU's support in their favour to add weight to their arguments or increase their bargaining power. To a certain extent, such a situation is a variation of what has been observed in Europeanisation processes when national policy-makers adhere to EU demands to underpin their own political agenda (Schimmelfennig and Sedelmeier 2005a: 11–2).[83] Taking into account these aspects allows to reflect the importance of local conditions and agency that was mentioned in section 3.1 above.

Power asymmetries

The scope condition that most directly pays tribute to the main research question and to the research interest in comparing the EU's influence *across* different settings is that of power asymmetries. This element is also directly reflected in sub-research question three. Power asymmetry is understood as the degree of dependence on the EU of the receiver of EU influence. The importance of including power asymmetries lies in the fact that the success of the EU in transmitting a certain policy, idea or norm is likely to change according to its leverage towards the country or region involved. This expectation is confirmed by empirical Europeanisation studies (Kelley 2004: 453; e.g. Grabbe 2003: 318)

[81] Collier and Collier borrow the term "critical juncture" from Lipset and Rokkan's (1967) cleavage theory on the formation of party systems.

[82] There is no common view in the literature on whether crises and uncertainly constitute a scope condition or a precondition (implying that no diffusion is possible without a crisis preceding it) for diffusion. The IR literature tends to highlight the importance of uncertainty, while the EU literature – in accordance with its inclusion of diffusion as a result of legal obligation – tends to grant it less relevance. Nonetheless, this has little implication on the fact that it has to be taken into account. In order not to overload the analytical framework with additional categories, this study conceives crises and uncertainty as a scope condition.

[83] It is obviously also imaginable that the EU directly chooses to support those policy-makers or states that are more in line with its objectives. But as a direct EU activity, this falls under the scope of the independent variable.

In the context of this study, dependence can take two forms. First and most prominently, as an economic category, concentrating on the dependence of the EU's counterpart on investments from the EU economy, on access to its market, on public funding in terms of ODA or technical assistance, etc. Secondly, other factors, like a possible role of the EU as a significant provider of international legitimacy or security will be taken into account. Clearly, both categories of dependence are of a dynamic nature and can evolve over time. This means that the EU's leverage on its counterpart may change over the time scope of the analysis. For example, the power of influence of the EU might decrease if it is seen as being currently in crisis or as decreasing in its economic importance in relation to others. While such perceptions are often likely to affect the statements of policy-makers in a given moment, it is important to note though that only changes of a more fundamental nature, as changing trade flows or a diversification of international donors, are likely to affect the EU's leverage on professional policy-makers.

Degrees of statehood

Lastly, degrees of statehood are understood as the "degree to which they [the states or international organisations, M.H.S.] are able to adopt, implement, and enforce decisions" (Börzel and Risse 2012a: 11). Seen from an empirical perspective, the case for including this scope condition in our analysis lies in the fact that regional cooperation and integration often require legal and administrative changes that may pose a challenge to states with low administrative capacity. To mention an example, building a common market requires a strong amount of standardisation to facilitate trading, both inside each country and between the different countries. Naturally, companies profiting from limited competition will oppose such attempts of standardisation as these are likely to limit their influence on national market regulation.

Beyond this, there is also a further element to statehood that is not taken into account by Börzel and Risse. States that have seen their national sovereignty compromised – be it because of colonial experiences or because of recent conflicts with neighbouring states – will usually be especially attached to protecting their national sovereignty. Regional cooperation and, even more so, integration naturally pose a challenge to this attachment. Taking this into account, this study will also consider the degree of adherence to national

sovereignty as an important element of statehood. Seen from an empirical point of view, the cases analysed in this study are likely to be ones in which this factor plays a role. Having set the elements of our last scope condition, it is important to mention that a limited degree of statehood may – at least in theory – also have a positive effect on the EU's influence on regional cooperation. While it may be more difficult to implement regional cooperation in practice for the above-mentioned reasons, the interest in regional cooperation may also be stronger if policy-makers expect that regional cooperation will increase the role of the state.

Linking scope conditions and causal mechanisms

Taking the three scope conditions together, an important common characteristic emerges: as shown in the table below, all three have elements that can be divided into those belonging to a material ontology and those belonging to a social ontology.

Scope condition	Material ontology	Social ontology
Domestic incentives in EU partner region	Functional demand for new policies/institutions	Pursuit of legitimacy
Power asymmetries between EU and partner region	Economic or security dependence on the EU	Dependence on legitimation by the EU
Degrees of statehood in EU partner region	Capacity to enforce decisions	Attachment to the preservation of national sovereignty

Table 3.3: Scope conditions and their defining elements

As the remainder of this section shows, those elements pertaining to a material ontology are expected to play a relevant role in enabling and shaping the causal mechanisms 'conditionality', 'assistance' and 'lesson-drawing' while those with a focus on social perceptions are expected to spur the mechanisms 'persuasion' and 'emulation'. These expectations will be taken into account when addressing the role of different conditions in the EU's effectiveness in influencing regional cooperation. At this point, it is also important to note that differences in the manifestations of the scope conditions are likely to lie *between* the two different regions studied rather than *within* the region itself. This is the case as two of the three scope conditions (i.e. power asymmetries and degrees of statehood) refer to conditions that are constitutive of a state or region's nature as its history and its economic and political development.

The scope condition of domestic incentives was introduced as the 'trigger' that motivates policy-makers to adapt current institutional solutions to new conditions or even

to introduce wholly new solutions. Thus, by definition, domestic incentives may be present for all five hypotheses. Nevertheless, a closer look at the causal mechanisms reveals that domestic pressures are especially relevant for two of the mechanisms: lesson-drawing and emulation. While a lack of domestic incentives is likely to impair their effectiveness, it does not hinder the EU from setting conditionality or incentives or to engage in persuasion to push for institutional change. In contrast, lesson-drawing and emulation, where the receivers of EU influence are in the thick of the action, need to be induced locally. In consequence, lesson-drawing and emulation will not occur in the absence of domestic incentives.

Power asymmetries reflect the dependence of the target of EU influence on the EU, be it in a material manifestation or in terms of legitimation. As the literature on conditionality has shown, material power asymmetries and the resulting leverage are both a prerequisite and a catalyst for conditionality (Kelley 2004: 453; Moravcsik and Vachudová 2003: 46–9; Sedelmeier 2011: 22). In a similar vein, the perception of a greater legitimacy of the EU – that is, a power asymmetry as seen from a social perspective – will be a necessary prerequisite and a catalyst for emulation processes. After all, if the EU is not perceived as having a sufficient legitimacy, local policy-makers will not decide to adopt an EU template to profit from its legitimacy. Therefore, the higher the perceived asymmetry in terms of legitimacy between EU solutions and other solutions, the more likely it is that an institutional change will have been induced by emulation. While a stronger legitimacy of the EU might also be seen as facilitating a lesson-drawing process, emulation and lesson-drawing processes can be distinguished through the operationalisation since lesson-drawing is characterised by the presence of rationalised assessments of different policy options. Consequently, we can conclude that conditionality is unlikely to be an effective causal mechanism in the absence of a sufficient asymmetry in material power and that emulation will not be a decisive mechanism in the absence of an asymmetry in terms of legitimacy.

Finally, as regards the degrees of statehood of the target of the EU's influence, one can conclude that a limited degree of statehood is likely to play an especially important role when emulation is at play. This is the case for two reasons. Firstly, if sovereignty enjoys a special relevance, local policy-makers will probably choose a response to the EU's influence

that allows them to gain legitimacy but does not at the same time compromise their sovereignty. This is also in line with the decoupling behaviour that was presented as a possible consequence of emulation. Secondly, a low administrative capacity of the addressee of EU influence implies that it will be more difficult to implement regional cooperation or integration as advocated for by the EU. Also in such cases, a shallow response or no effective implementation are likely.

The table below sums up the three scope conditions and their expected influence on the causal mechanisms. It distinguishes whether a scope condition is likely to be an enabling prerequisite for the mechanism to work at all or whether an increase in the respective condition is likely to increase ('+') or diminish the impact of the individual mechanism ('-'). Combinations where we expect no interaction or where this interaction is unclear to be positive or negative are left blank.

Scope condition	**Causal mechanism**				
	H1a: conditionality	**H1b: assistance**	**H2: lesson-drawing**	**H3: persuasion**	**H4: emulation**
Domestic incentives					
Functional demand	+	+	Enabling	+	
Seek for legitimacy				Enabling	Enabling
Power asymmetries					
Economic / security dependence	Enabling, +	+			
Dependence on legitimation		+		+	Enabling, +
Degrees of statehood					
Capacity		-	-		-
Attachment to sovereignty	-				+

Table 3.4: Scope conditions and their expected interaction with the causal mechanisms

Conclusion

This chapter set out to develop a theoretical model that allows to assess "*how, to what extent and under what conditions the EU succeeds in promoting regional cooperation beyond its borders*" – the main research question guiding this thesis – as well as the sub-research questions. Three criteria guided the survey for an adequate theoretical model. Building on the *desiderata* of previous research, it was argued that a model could best

contribute to the literature by providing both structure and flexibility to accommodate relationships between the EU and different regional organisations and states, plenitude to cover the various possible EU influences on regional cooperation and a focus on impact to be able to empirically assess the EU's success or lack of success when encouraging regional cooperation (sub-chapter 3.1).

These three criteria led to the choice of a diffusion approach in sub-chapter 3.2. Diffusion is flexible enough in the definition of the dependent variable and allows including several ontological perspectives under one epistemological umbrella. Furthermore, its micro-perspective allows to assess the specific impact of the EU in the decisions of the actors it engages with. Out of different diffusion approaches, the one inspired by Europeanisation research was deemed the most adequate to our purposes since it factors in the role of leverage and different degrees of influence on other actors, thereby matching the focus of our third sub-research question (*how does EU leverage influence its success in promoting regional cooperation?*).

This model was adapted to better fit our research interest. These adaptations refer to the role of hierarchical relations and coercion in the EU's ties with others, especially in its closer neighbourhood. Once the model was adapted to our purposes, the chapter moved on to specify the dependent and independent variables. As we are interested in the EU's influence on regional cooperation and integration elsewhere, 'institutional change modelled according to EU aims' is defined as our dependent variable. The focus on institutional change allows considering both the creation of new regional cooperation initiatives as well as the modification of existing ones. In this context, a wide definition of institutions was chosen to also include the EU's potential influence on rules of regional cooperation, such as trade legislation. Reflecting the EU side, 'Use of EU instruments to promote regional cooperation' was defined as our independent variable.

The ensuing sub-chapter 3.3 moved to the core of the model: the hypothetical connection – or diffusion mechanisms – between our dependent and independent variables. This sub-chapter argued that the EU can influence cooperation in other regions through two broad ways. On one hand, by setting material incentives or providing technical solutions for existing regional problems deemed superior to local approaches and, on the

other hand, by means of its role as the frontrunner of regional cooperation and integration. In this context it was argued that adopting EU solutions might increase the legitimacy of their adopters. The former path reflects an instrumental logic of action, while the latter argues from a social ontology. From these two strands of thought, five hypotheses were spelled out reflecting the potential impact of different EU instruments. They are presented in the table below:

H1a (conditionality)	If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change to avoid the EU-imposed costs of not doing so.
H1b (assistance)	If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change in the expectation of being rewarded by the EU for doing so.
H2 (lesson-drawing)	If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because it positively assesses the costs and benefits of a corresponding EU-level example.
H3 (persuasion)	If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because the EU persuaded it of its adequacy.
H4 (emulation)	If the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change because it expects to profit from the reference to the EU.

Table 3.5: Overview of hypotheses

The causal mechanisms outlined are likely to have a different effect in light of contextual factors. To reflect this, the final sub-chapter 3.4 developed a number of scope conditions which are likely to act as enablers or catalysts of the diffusion processes. It was argued that diffusion processes are first dependent on the presence of domestic incentives that spur them. Such incentives can be the functional demand for new solutions to existing problems or the wish to profit from the legitimacy attributed to such solutions. Power asymmetries between the EU and its interlocutors were developed as a further central scope condition that also reflects the study's interest in assessing in how far EU leverage affects the EU's impact on regional cooperation beyond its borders. Degrees of statehood are the third scope condition that will be considered in this study. As for the other two scope conditions, also degrees of statehood can be understood as having a material and social expression. The remainder of sub-chapter 3.4 developed expectations on the links between the different scope conditions and the hypotheses. Generally speaking, the social variants of

the scope conditions are expected to modulate the impact of the persuasion (H3) and emulation (H4) mechanisms, while the ones developed from a material ontology should affect the conditionality (H1a), assistance (H1b) and lesson-drawing (H2) mechanisms. As the scope conditions are likely to differ between the regions studied, they will also play a central role in the cross-case comparison over the cases in the two regions in chapter 0. The ensuing chapter operationalises the variables and hypotheses developed in this chapter, connecting them to implications observable in the case studies.

4 Operationalisation

Assessing the causal influence of the EU on regional cooperation beyond its borders requires measuring our variables. In order to be able to do this, this chapter develops indicators that can be assessed across the cases studied. Beyond enabling empirical research, this exercise is also important to distinguish the effects of different explanatory mechanisms from each other. Therefore, special attention is paid to developing indicators that are unambiguous for each diffusion mechanism.

The ensuing sub-chapter 4.1 sets the ground by reviewing the criteria for a meaningful operationalisation. The two following sub-chapters then map the indicators for the dependent (4.2) and independent variables (4.3). In accordance with the diffusion approach and its focus on causal mechanisms, a major part of the operationalisation concentrates on the hypothesised diffusion mechanisms (4.4). The conclusion sums up the main elements of the operationalisation before moving to the methodological basis of the analysis.

4.1 Guiding criteria

Operationalisation seeks to translate theoretical concepts into manifestations that can be observed empirically. This is done by assigning observable indicators to the concept to be analysed or measured (Miller 2007a: 85–6). For the indicators to be clear and unambiguous expressions of the theoretical concepts analysed, they have to meet several criteria. These criteria are elaborated in turn as they will guide the development of indicators to assess the EU's impact on regional cooperation.

First of all, the indicators developed should be valid, that is, they should measure what they intend to measure. To meet this aim, King, Keohane and Verba (1994: 25) suggest to construct indicators than can be interpreted as directly as possible. The goal here is to limit the need for contextual explanations to the necessary minimum. This is important since contextual explanations always bear the risk of increasing the ambiguity of the statements. Furthermore, several indicators will be developed for each causal mechanism and for the dependent and independent variables. This helps in increasing the validity of the analysis by pointing at specific patterns of evidence for each concept (Miller 2007a: 94). If the data for these different indicators stems from different sources, this also represents a triangulation that increases the validity further.

Secondly, the indicators used (and the data collected during the analysis) needs to be reliable. It must be possible for other researchers to replicate the data collection and the conclusions reached on its basis (King *et al.* 1994: 25–6). While achieving reliability does not only depend on the construction of the indicators, their design can also contribute to this effort. Constructing the indicators in a transparent, systematic and well-documented way and grounding them firmly in theory will allow other researchers to understand their origin and to replicate them, thereby increasing the reliability of the study as a whole.

For a study that aspires to reach conclusions not only within the cases studied but also across the cases a third and last requirement is of special importance: comparability. Generally speaking, to achieve a maximum degree of comparability the research design shall not be biased towards any of the cases studied. For the indicators this implies that they have to be designed in a way that allows using them also in the analysis of other cases. At the same time, the very nature of comparative social science calls for some precaution regarding this aspiration. Where social interaction and culture play a role and cases are compared across different settings that may be subject to idiosyncrasies, the "problem of equivalence" may arise. This means that the same indicators may have different meanings across cultural and social contexts – they may be identical but not equivalent (Deth 1998: 2–9). Comparative studies, and especially those using qualitative methodology have often been criticised for not considering this problem (cf. Stegmueller 2011: 471–2). Increasing comparability is also useful with regard to external validity, that is, the extent to which the results from this study are generalizable also to similar cases. While limitations of external validity are inherent to qualitative research, this study aspires to at least provide a research design that could be applied also to similar cases in which the EU has (or other actors have) tried to influence regional cooperation beyond their own borders.

Judging from the impetus and technicality of the debate on the matter (Adcock and Collier 2001: 534–6; Deth 1998; Przeworski and Teune 1970: 74–134), achieving comparability and dealing with the problem of equivalence may seem the most difficult task in our operationalisation. But here again the focus of this study on the *mechanisms* of promotion of regional cooperation provides an important advantage. After all, it is inherent to processes and causal mechanisms that they imply *activity.* That makes them easier to

observe and judge than a *policy*, which is a more abstract and constructed category. If we can convincingly determine that a certain policy objective – in our case, promoting regional cooperation – is pursued in all cases studied, then we can concentrate on observing the *activity* aimed at achieving that objective, that is: the mechanisms at play and their effect on the targets of that policy. This allows us to ensure what Gerring calls "causal comparability", i.e. that the presumed relationships between the independent and the dependent variable are comparable (Gerring 2001: 176–7).

On the basis of these three main methodological requirements, the next three sub-chapters develop the indicators for the dependent and independent variables and for the diffusion mechanisms.

4.2 Dependent variable – Institutional change

Institutional change modelled according to EU aims in the target region or organisation is our dependent variable. As argued in the previous chapter, institutions are defined as social structures and systems of rules – both formal and informal – that have the potential to shape the behaviour of actors. Institutional change encompasses both the creation as well as the modification of regional institutions.

In the context of this research, institutional change is understood as a variable measured against an ordinal index. The ordinal measure implies that different degrees of institutional change can be ranked next to each other (Johnson and Reynolds 2012: 145–6). Using an index suggests that our variable institutional change consists of several dimensions.[84] The use of an ordinal measure makes it possible to relate the degree of institutional change to different factors such as the goals of the EU in promoting specific institutional solutions, the diffusion mechanisms and EU instruments at work and the scope conditions under which these take place. This will allow us to reach more nuanced conclusions both on the within-case as on the cross-case levels of analysis. In contrast, a nominal measure would only tell us whether institutional change has taken place or not, thereby not giving a feel for the magnitude of change undertaken.

[84] An index is a measure that includes several dimensions of a variable. Indexes can be additive, meaning that each aspect increases or decreases the overall value of the variable to the same degree, or weighted. In this latter case, individual aspects can be given a higher importance than others (Johnson and Reynolds 2012: 150–2; Miller 2007b: 138–41).

The choice of an index to measure institutional change is rooted in neo-institutional thinking. Since institutions constantly adapt to their environment (Peters 2012: 36–7), not every institutional change can be significant for our purposes. The objective is to distinguish irrelevant change from such change that could have an influence on political practice. Using a weighted index of institutional change allows us to reflect this thought in our operationalisation by isolating the essence or core function of the institution. This core function represents the threshold below which institutional change is not deemed significant enough to argue that there has been an EU impact in promoting regional cooperation. In addition, the index allows us to measure a relatively complicated phenomenon as institutional change by combining as simple indicators as possible (Miller 2007b: 137). As we can use relatively simple and abstract indicators that are valid also in different social and political contexts, it becomes easier to compare institutional change across cases.

The index consists of four dimensions that are important facets of almost every political institution: the aforementioned core function, actors, decision-making and competences. These elements can be illustrated with the example of the majority rule, one of the most common political institutions. As mentioned in the previous paragraph, the core function is the key element of the institution. In the example of the majority rule, the fact that decisions need to be supported by a majority of voters is the core function of that institution. Actors are the agents involved in the institution, e.g. those forming the constituency entitled to vote. Decision-making refers to rules that organise the ways decisions are taken – in the case of our example this could be a simple majority or an absolute majority. Finally, competences are the capacities and tasks that the institution is entitled to deal with. In our example this could refer to the areas of a polity in which decisions are taken with the majority rule.

The analysis will look for change in these four dimensions. Change in each of these dimensions will be scored with one point. Depending on the number of dimensions in which we can observe change, the variable institutional change will be categorised as none (score 0), moderate (1-2) or substantial (3-4). Since the core function represents a threshold in the scale, changes that affect all or several of the dimensions *but* the core function will still be categorised as 'moderate'. In practice, this implies that an institution that changes in

all four dimensions will score as 'substantial' (4) in terms of institutional change while change in all dimensions but the core function would yield a 'moderate' score (1).

Change in the dimensions of our variable can come through different means. These means serve as our indicators and will be assessed nominally according to whether they are present or absent. Institutional change will often imply legal or normative changes, which can manifest themselves through the conclusion of new agreements, the modification of existing norms or the normative changes implied with the creation of intergovernmental or supranational organisations. Apart from normative change, institutional change also encompasses organisational innovations such as the creation of new organisations, the redesign of existing ones (for example by changing their competences or the actors involved in them) or the creation of semi-permanent cooperation projects or programmes to achieve a specific goal within a broader policy. Table 4.1 below lists the mentioned indicators. The ensuing sub-chapter concentrates on the operationalisation of the independent variable.

Dimensions of institutional change	**Indicators (with regard to the individual elements)**
Core function	Creation of new organisations Modification of existing organisations (change of core function, actors, decision-making, competences) Creation of new legal norms or rules Modification of legal norms or rules Creation of semi-permanent ad hoc cooperation projects or programmes
Actors	
Decision-making	
Competences	
Categorisation of the variable as none (0) – moderate (1-2) substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.	

Table 4.1: Indicators for the dependent variable 'institutional change modelled according to EU aims'

4.3 Independent variable – EU instruments

The purpose of operationalizing the independent variable – that is, the use of EU instruments to promote regional cooperation beyond its borders – is in principle to simply *identify* what means the EU uses to promote regional cooperation. In most cases, the instruments can be identified by direct observation of the relevant sources such as policy documents or interviews. In addition, the fact that the instruments considered all originate from the same set of EU actors limits the aforementioned problem of equivalence and of a

possible lack of comparability. Thus, operationalising the EU instruments may seem a relatively simple exercise.

Still, the sheer amount of instruments that the EU can use to promote regional cooperation beyond its borders presents a challenge for succinct operationalisation. Since not covering all those instruments would distort the multifaceted character of the topic at hand, comparability across the different regions and cases will be ensured by categorising the instruments into broader clusters. This makes it possible to draw more conclusive results in the cross-case analysis. Following this approach, this section will first identify the instruments found in the three fields of EU external action: (i) trade and economic relations, (ii) development cooperation and technical assistance and (iii) political relations and the sources that will be used to assess them.

4.3.1 EU instruments across policy fields: Narrowing down the scope of EU external action

The independent variable consists of the instruments used by the EU to influence the behaviour of other actors towards regional cooperation. To identify them in the observable world, these instruments need to be operationalized (Gerring 2001: 35–48). To know where to look for these instruments, it is useful to bear in mind a broad definition of foreign policy such as the one proposed by Christopher Hill (2003: 3): "the sum of official external relations conducted by an independent actor (usually a state) in international relations". Such a broad definition emphasises that foreign policy goes beyond diplomacy and is scattered over different policy fields.

The definition is especially well-suited to the EU, whose foreign policy competences were first established as complementary policies to its economic integration. This was the case of the Common Commercial Policy (CCP) established in 1957 by the EEC Treaty of Rome (1957: 3) or of the EU's development policy, which was initiated by granting trade concessions to former colonies. Only over time did EU foreign policy evolve to include more traditional areas of state foreign policy such as diplomacy, security and crisis management (nowadays summarised under CFSP and CSDP).[85] As a result, several of the most developed

[85] A useful historical overview on the development of EU external competences is given by Edwards (2011).

foreign competences of the EU, such as the CCP, are eminently economic and lie beyond the scope of more traditional definitions of foreign policy. This multifaceted nature of the EU as a foreign policy actor is also exemplified by the popularity of the rather abstract and comprehensive term 'external action' used to refer to the sum of EU policies with external implications.[86] In conclusion, the nature of foreign policy in general and of EU foreign policy in particular implies that instruments used to encourage regional cooperation may be found across several external policy fields.

In light of this wide array of instruments that the EU could use to encourage regional cooperation, it is useful to organise the broad concept of 'foreign policy' and the corresponding indicators along three more specific policy fields: trade and economic relations, development cooperation and technical assistance, and political relations. These policy fields correspond with the segments into which most of the contractual agreements of the EU with other states or regional organisations are divided.[87] Apart from this classification along policy fields shown in table 4.2 below, the indicators can also be classified according to whether they are located more on the strategic and planning phase of policy-making (thereby reflecting the EU's intentions) or on its implementation stage (thereby reflecting the application of the instruments). This sorting will simplify the operationalisation.

Policy fields in EU foreign policy
Trade and economic relations
Technical assistance and cooperation
Political relations

Table 4.2: Policy fields in EU foreign policy

It is now in these three policy fields in which the intention to promote regional cooperation and the instruments used are to be identified. To identify intention and instruments, possible manifestations of regional cooperation objectives and policies will be developed and listed for each of the three policy fields.

[86] Another reason for the use of this term certainly lies in the reluctance of EU member states to share a denomination like 'foreign policy', so strongly attached to national sovereignty.

[87] The overwhelming majority of such agreements are signed under Article 217 of the TFEU as so-called 'association agreements'. They combine provisions related to the EU's CCP with provisions on political relations (including CFSP) and such ones on development and technical cooperation. In most cases, the agreements also include provisions on competences of EU member states (e.g. cultural cooperation). Such agreements are signed and ratified by both the EU and its member states and are termed as 'mixed agreements'. Agreements signed by the EU can be found in the Council's Agreements' Database (Council of the European Union 2013a).

Since – as mentioned in the first paragraphs of this sub-chapter – the goal here is to identify the presence or absence of an instrument, an assessment of its relevance in comparison to other political goals is in principle not necessary and simple observation of the indicators would suffice. Nonetheless, the study will gain in depth if we also assess the intensity of the EU's engagement. To mention an example, if the EU represents the vast majority of external funding aimed at regional cooperation in a specific case, it is also fair to expect that it should have a stronger effect on the actual results of the policy as if the EU was only one among many other donors in this field. After identifying their manifestations, most indicators will therefore be assessed along an ordinal non-dichotomous scale with the expressions none – low – medium – high. The values for each of the indicators will be aggregated to form an index that shows the extent to which a specific instrument was employed by the EU. For each of the policy fields identified, the subsequent three sections will now present the indicators used to identify manifestations of the independent variable 'Use of EU instruments to promote regional cooperation'.

4.3.2 Trade and economic relations

As mentioned previously, the CCP plays a prominent role in the EU's relationship with most external partners. Whenever the EU strives to conclude preferential trade agreements with its partners, regional integration is often on the agenda. Several reasons justify this: regional integration increases the size of the counterpart market covered by the agreement but also provides more stable rules since unilateral changes by individual countries are less likely. When it comes to the **planning and strategy level** in the field of trade, the EU may communicate its priorities in speeches from EU representatives with a political mandate, in Communications from the Commission on trade policy, in Council conclusions, in the (Regional) Strategy Papers prepared under the lead of the EEAS, the former Directorate-General for External Relations (DG RELEX) of the Commission or for Development Cooperation (DG DEVCO) that describe the policy priorities towards specific countries and regions over the EU's seven year indicative budgeting period[88] or in the yearly Enlargement Strategy prepared by the Enlargement DG (DG ELARG) for those countries in the SAP or in

[88] The Multiannual Financial Framework (MFF) establishes indicative ceilings for the majority of expenditures of the EU and is adopted by the Council and the EP for periods of seven years.

the Enlargement process.[89] Other, more specific, policy documents may be published *ad hoc*, for example in preparation of meetings.[90] Besides these sources, also the evidence from interviews undertaken by the author with EU policy-makers and officials from the EEAS, the Council and DG Trade will be used to identify the intention to promote regional integration in trade matters.

To understand the importance of regional cooperation in the sources mentioned, the empirical analysis will judge the emphasis given to this objective in comparison to other objectives.[91] Since the emphasis given to an objective can only be understood in the specific context in which it is voiced (e.g. in a country strategy paper against other objectives), this assessment will be performed using 'anchor examples', a common technique in qualitative content analysis.[92] Anchor examples are passages in a text that exemplify how a low, middle or high manifestation looks in the text analysed (Mayring 2010: 92). Using anchor examples allows us to ensure a comparability of our analysis while taking into account that a 'low' emphasis on regional cooperation can look differently in Council conclusions than in an interview with an official from DG Trade. These anchor examples are defined in the respective part of the empirical analysis.

On the level of **implementation**, trade policy offers a rather small number of publicly available sources to assess the relevance of promoting regional cooperation in this field. The most prominent part of trade policy consists in the negotiation of trade agreements. These negotiations are confidential to avoid the tactical drawbacks that may arise if either a negotiating partner or interest groups enjoy privileged information. Therefore negotiation documents are difficult to obtain. Still, some sources are publicly available. This is the case of information on technical assistance projects in trade issues, so-called trade-related technical assistance (TRTA), which may be used to facilitate regional integration. Also, market access offers exchanged by negotiators in the course of

[89] An overview of the process and decisive actors in the programming of the EU's external instruments before and after the entry into force of the Treaty of Lisbon is given by Stroß(2012).
[90] See for example a Commission input for a European Council meeting (Commission 2013d).
[91] This approach is followed because other options, like counting the number of mentions of 'regional cooperation' or similar terms, would not necessarily reflect the real importance given to the matter as it wouldn't mirror the relative relevance in which the objective of regional cooperation stands in comparison with other objectives.
[92] More specifically, this approach is used in qualitative intensity analysis, a variety of qualitative content analysis that assesses the intensity or relevance of specific information with regard to a variable on an ordinal scale (Mayring 2010: 101–9).

negotiations are often made public *ex-post*.[93] And, once concluded, trade agreements or trade chapters of association agreements are public. Apart from these publicly available sources, again evidence from interviews will be used to identify the EU's instruments in promoting regional integration. It is advisable to not only rely on interviews with EU policy-makers, but also on evidence from their counterparts in negotiations. This will help to elucidate in how far the EU encourages regional cooperation not just in theory, but also in practice. The table below summarises the indicators used in the field of trade policy, and how they are aggregated to form an index.

Use of EU instruments: trade and economic relations

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches.**	*0 – 2*
	emphasis of mentions in **strategic documents**.	*0 –2*
	emphasis of mentions in **interviews** with EU policy-makers.	*0 –2*
Implementation	*emphasis* of mentions in **treaties.**	*0 – 2*
	emphasis of mentions in **project documentation and assessments.**	*0 – 2*
	amount of trade-related technical **assistance** oriented towards regional cooperation and integration.	*0 – 2*
	emphasis of mentions in **interviews** with EU policy-makers.	*0 – 2*
	emphasis of mentions in **interviews** with policy-makers from EU partners.	*0 – 2*
Use of trade and economic relations to promote regional cooperation scores as none (0) – low (1-5) – middle (6-11) – strong (12-16)		0 – 16
categorisation of *emphasis* and *amount* as none (0) – moderate(1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 4.3: Indicators for the independent variable: trade and economic relations

4.3.3 Development cooperation and technical assistance

Development cooperation and technical assistance play an important role in the foreign policy of the EU – one of the major donors of ODA (Organisation for Economic Co-operation and Development 2012: 275) and sometimes criticised for not being a "global player" but just a "global payer" (Brok 2010).[94] In terms of **planning and strategy**, the EU's intention to

[93] Negotiations for preferential trade agreements usually proceed in three phases. In a first phase, the parties discuss and draft the rules and the text of the future agreement. The second phase begins when the parties simultaneously present their so-called market access offers. These detail the reduction in tariffs or quotas that the party is willing to offer to the other parties. Finally, negotiations are held on both rules and market access to find a compromise.

[94] Taken together, the EU institutions and the EU member states are the largest donors of ODA worldwide.

encourage and promote regional cooperation and integration through ODA and technical assistance may again be found in speeches from EU political representatives, but also in landmark documents on development policy such as the European Consensus on Development (European Parliament *et al.* 2005), in Communications from the Commission, in Council conclusions, in (Regional) Strategy Papers or Enlargement Strategy reports, etc. Interviews with EU policy-makers charged with programming EU development cooperation will further be undertaken to elucidate the existence and emphasis given to the objective.

On the **implementation** level – and opposed to the case of trade policy – the amount of data available on development cooperation is abundant. Besides the provisions on cooperation included in treaties and agreements between the EU and its partners, cooperation projects involve much data in terms of project descriptions, contracts, evaluations, etc. – much of it available publicly. In addition, the comprehensive reporting system to which the members of the Development Assistance Committee (DAC) of the OECD submit themselves and its detailed categorisation allow distinguishing the amount and relative importance of ODA flows aimed at facilitating regional cooperation. Individual cooperation projects that do not fall under the definition for ODA can be identified from EU documents and databases. Beyond these data, utterances by policy-makers from the EU and its partners will allow to assess the existence and importance of cooperation instruments aimed at fostering regional cooperation. The following table summarises the indicators used in this field, their respective units of assessment and how they are aggregated to an index.

Use of EU instruments: development cooperation and technical assistance

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches**.	*0 – 2*
	emphasis of mentions in **strategic documents**.	*0 – 2*
	emphasis of mentions in **interviews** with EU policy-makers.	*0 – 2*
Implementation	*emphasis* of mentions in **treaties**.	*0 – 2*
	absolute and *relative budgetary relevance* of development **cooperation projects** aimed at fostering regional cooperation.	*0 – 2*
	emphasis of mentions in **project documentation and assessments.**	*0 – 2*
	emphasis of mentions in **interviews** with EU policy-makers.	*0 – 2*
	emphasis of mentions in **interviews** with policy-makers from EU partners (officials present in negotiations and implementation).	*0 – 2*

Use of development cooperation and TA to promote regional cooperation scores as none (0) – low (1-5) – middle (6-11) – strong (12-16)	0 – 16
categorisation of *emphasis, relevance, number* and *amount* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 4.4: Indicators for the independent variable: development cooperation and technical assistance

4.3.4 Political relations

Finally, regional cooperation may also play a role in the political pillar of EU foreign policy. In this pillar, the focus lies on the diplomatic relations – often preceding and accompanying the two afore-mentioned areas – and also on security matters. Discussions in this field often serve to shape and agree on the priorities over the whole spectrum of cooperation and set the ground for the more operational work in the two other pillars. What singles out the political pillar is its focus on diplomatic negotiations and declarations as instruments of foreign policy, which then may or may not provide the ground for closer cooperation in other areas and increase mutual recognition. In terms of **planning and strategy**, EU political priorities in this area may be expressed in the EU Treaties, in general speeches by political representatives outlining the self-perception of the EU and its political objectives, or in the strategic documents mentioned also for the two previous pillars.

The differences to the two previous fields of foreign policy lie rather in the area of **implementation**, where the focus is on non-binding, non-material exchanges such as summits, regular political dialogues (including parliamentary ones if relevant to the case), other senior official meetings, *démarches* and declarations on a region or specific countries. As in the case of trade negotiations, the agendas and content of discussions in political dialogue meetings are often not public. Therefore in this case, information obtained from interviews with policy makers will be especially important to grasp the content and priorities of such meetings. The table below summarises the indicators according to the two phases of policy-making and groups them into an index.

Use of EU instruments: political relations

Policy-making levels	**Indicators (units of assessment in *italics*)**	**Score**
Planning and strategy	*emphasis* of mentions in **speeches**.	*0 – 2*
	emphasis of mentions in **strategic documents**.	*0 – 2*
	emphasis of mentions in **interviews** with EU policy-makers.	*0 – 2*
Implementation	*emphasis* of mentions in **treaties**.	*0 – 2*
	relevance of **political dialogues with a regional focus**	*0 – 2*

	emphasis of **statements and declarations mentioning regional cooperation**.	*0 – 2*
	emphasis of mentions in **interviews** with EU policy-makers present in / tasked with negotiations	*0 – 2*
	emphasis of mentions in **interviews** with policy-makers from EU partners present in / tasked with negotiations	*0 – 2*
Use of political relations to promote regional cooperation scores as none (0) – low (1-5) – middle (6-11) – strong (12-16)		0 - 16
categorisation of *relevance* and *emphasis* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 4.5: Indicators for the independent variable: political relations

4.4 Diffusion mechanisms

Foreign policy takes place in a multicausal world. At any given time, the EU is likely to have several instruments at its disposal – and actively use them. The aim of analysing the causal mechanisms is therefore to distinguish which of these instruments had an impact on the actions of the EU's partners – and how they did so. While the analysis of the independent variable shows us which instruments were used by the EU, only an analysis of the causal chain between these instruments and the actions of the EU's partners can shed light on the effectiveness of the EU in encouraging regional cooperation. In order to do so, the present sub-chapter develops indicators for each of the five hypothesised causal mechanisms developed in sub-chapter 3.2.

Three points are worth considering to ensure that the operationalisation of the mechanisms allows us to distinguish which – if any – of the EU's instruments was effective. Firstly it is important to highlight that the variables considered are assessed in non-dichotomous scales. While the first aim is to assess whether a diffusion mechanism is present or not (for which a dichotomous scale would suffice), assessing the intensity of the mechanisms is necessary in view of the fact that we may have cases in which several mechanisms play a role. After all, the EU has several mechanisms at its disposal that it can use at the same time. Secondly, it is central that the analysis concentrates on the impact of the diffusion mechanisms on the addressees of the EU instruments. Otherwise, the analysis of the mechanisms would not test for the connection between our independent and dependent variables but often just reiterate the analysis for the independent variable. To put it simply, while the analysis of the independent variable can establish whether and to which degree conditionality was used by the EU, the analysis of the diffusion mechanism 'conditionality' allows us to trace whether conditionality had an *actual* impact on institutional change. Therefore the operationalisation of the causal mechanisms focuses on

indicators that denote an *impact* on local agency.[95] Finally, the objective is to develop several indicators for each concept (in this case: for each mechanism) to uncover patterns of evidence that allow to increase the validity of the analysis. The indicators are based on previous empirical analyses that investigate similar mechanisms as well as newly developed for this study.

In order to make the make the variables more manageable and comparable also in the cross-case comparison, the values for the individual indicators will be aggregated to build indices that reflect each variable in a simple numerical value – as previously done for the dependent and independent variables. The indicators are presented in the same order as the hypotheses in chapter 3, starting with conditionality and finishing with emulation.

4.4.1 Incentives: Conditionality

The defining element of conditionality is the connection of an objective in a specific policy area with incentives in a different area. Thus, the most prominent manifestation of conditionality is the *explicit* connection of financial or political actions to the achievement or non-achievement of a specific objective.[96] Such a connection can occur in agreements, speeches or negotiations. EU actions that may be conditioned to a specific objective include financial disbursements, technical cooperation, increased political recognition, improved market access, support in international organisations or an improved status in the SAP or Enlargement process for countries in the closer neighbourhood. While this indicator is the central condition, in order to be credible, conditionality also needs to be assessed. It therefore usually comes along with review and assessment measures. Manifestations of these can be the issuance of (regular) reports, declarations or negotiations on the matter. In order to have an impact on the EU's partner, the use and the assessment of conditionality need to be perceived as such by the EU's counterpart.[97]

[95] As mentioned in section 3.4 (pp. 41 and following), also the process-tracing method used will contribute to ensuring that changes in the dependent variable can be attributed to specific diffusion mechanisms and by implication to the independent variable.
[96] This is equally applicable to non-achievement or to negative incentives in the case of negative conditionality.
[97] Otherwise we would only assess the *use* of conditionality by the EU – as already done for the independent variable.

As conditionality is a matter that has often been subject to empirical research in EU studies, previous work offers valuable guidance to further refine the indicators. More specifically, Frank Schimmelfennig and Guido Schwellnus (2007: 273–6) develop a series of indicators to assess EU conditionality that can be adapted to the aims of this study. Their indicators arise from the context of EU accession negotiations and aim at assessing the *strength* of conditionality (i.e. they measure a non-dichotomous variable with more than just two values). According to Schimmelfennig and Schwellnus, the strength of conditionality increases with the following characteristics: (i) an incentive is connected to a *specific* norm change, (ii) that norm is prominently mentioned by the EU, (iii) that norm is prominently used to judge the maturity of the counterpart or (iv) the respective norm is formulated in an unambiguous and binding way as in the case of legal rules. While many of the elements associated with regional cooperation are of a political nature and difficult to formulate as unambiguous and binding norms (in the case of the EU, the principle of loyal cooperation enshrined in Art. 24(3) TEU can be seen as such a case), others are instead rather technical and may well be formulated in such way (e.g. the need for a set of joint standards in a common market). In the case of more abstract or political conditions, it is Schimmelfennig's and Schwellnus' focus on prominence which is interesting. The prominence the EU attaches to a norm to judge a certain partner represents a useful proxy for the purpose of this study. It allows assessing conditionality in the case of more abstract or political conditions, which might otherwise not be recognised as such conditions because of their lack of clarity and specificity. As in the case of the independent variable, the emphasis the EU attaches to norms related to regional cooperation will be assessed by resorting to anchor examples from the documents and interviews analysed.

The above paragraphs reflect the situation from the perspective of the sender – an issue well-researched in studies related to the EU or the international financial institutions (IFIs). Yet, turned around, the same arguments offer a way of assessing not just the existence but the *impact* of conditionality – our focus here as it is indispensable to judge whether this diffusion mechanism does actually connect EU instruments and institutional change. If institutions and policy-makers from the EU's counterparts consistently and prominently mention the role of EU requirements in a specific policy field, we can conclude that the conditionality mechanism was at play. This is a fair assumption to be made, since over-reporting of conditionality by policy-makers from the EU's counterpart is likely to be

low.[98] After all, admitting that one was pushed into a certain action may undermine the perceived autonomy of governments and policy-makers. Justifications of institutional change in connection with conditionality can be manifested in public utterances such as speeches, statements or official documents. Since, as argued above, admitting conditionality in public may be uncomfortable, it is more likely that the effect of conditionality will be reflected in personal statements during interviews. In line with the considerations above, manifestations related to conditionality do not necessarily need to refer to it in an explicit way. They may instead refer to the assessment of conditionality. For example, a certain institutional innovation may be brought in connection with the approaching deadline for the respective enlargement progress report. Following the considerations of Schimmelfennig and Schwellnus, if mentions of an EU requirement are especially prominent and frequent they may point at a case of conditionality that might not be obvious otherwise. Taken together, these indicators will be used to assess the impact of conditionality in triggering institutional change. The indicators reflecting emphasis will be classified in an ordinal scale along the categories none (0), moderate (1) and substantial (2). The category 'none' implies that no manifestation was found. The values for these indicators are then added to form an index that reflects the impact of conditionality and takes a score of between 0 and 10. Table 4.6 below lists the indicators for the impact of conditionality and shows how the index is constructed.

Impact of conditionality

Indicators (units of assessment in *italics*)	**Score**
prominence of mentions of EU conditionality in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*0 – 2*
emphasis of mentions of connections established by the EU between its financial or political actions and the achievement of a specific regional cooperation objective in **statements**, **documents** or in **interviews** with EU counterparts.	*0 – 2*

[98] While one can imagine situations in which it may be useful for executives to justify an unpopular measure to their constituencies by referring to it as a requirement of the EU in view of the greater good of EU accession, this argumentation is unlikely to happen in interviews with a foreign researcher. Such interviews (see sub-chapter 5.4 for more detail) allow us to assess whether references to EU requirements were "consistent and prominent" as mentioned above.

emphasis of justifications of a specific institutional change with expected improvements in a functionally different area voiced in **speeches, statements, official documents** and in **interviews** with policy-makers from the EU's counterpart.	*0 – 2*
emphasis of justifications of a specific institutional change with an EU assessment procedure in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*0 – 2*
emphasis of mentions to EU requirements in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*0 – 2*
Impact of conditionality scores as none (0) – moderate (1-5) – substantial (6-10)	0 - 10
categorisation of *prominence* and *emphasis* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 4.6: Indicators for the diffusion mechanism 'conditionality'

4.4.2 Incentives: Assistance

Beyond positive or negative conditionality which always presupposes prior action by the EU's partner that is rewarded (or punished) *ex post* by the EU, also assistance offered to encourage regional cooperation can have an impact.

Mentions in documents, statements and interviews with officials and policy-makers from the EU's counterpart serve to assess whether EU assistance triggered or influenced institutional change aimed at increasing regional cooperation. Similar to the case of conditionality, it is reasonable to expect that EU partners may underreport the role of assistance and highlight their own contributions. In practice, this problem remains manageable as the information from the EU's partners is contrasted with that of EU actors, allowing to triangulate. And as for the case of conditionality, this expected tendency to underreport has the advantage that whenever EU partners report that assistance was decisive, it is sound to assume that they are not overemphasising its impact. To assess the intensity of the impact of EU assistance on local institutional change, the analysis will also rely on statements from documents and officials from the beneficiaries of EU technical assistance. Indicators for intensity concentrate on the sustainability and duration of the institutional change and include the permanence of institutions created with assistance from the EU. As in the case of conditionality, the assessment of the impact of the assistance mechanism will be reflected as an ordinal variable formed by several indicators and categorised along the categories none, moderate and substantial. Table 4.7 below lists the indicators and shows how their score enters the index variable.

Impact of assistance

Indicators (units of assessment in *italics*)	**Score**

emphasis of explicit mentions of EU assistance as a trigger for institutional change in **speeches, statements, documents** or in **interviews** with EU counterparts.	*0 – 2*
relevance of EU assistance in the design of institutional change as reflected in **speeches, statements, documents** or in **interviews** with EU counterparts.	*0 – 2*
duration of institutional change created with EU assistance as reflected by **documents** from and in **interviews** with EU counterparts.	*0 – 2*
Impact of assistance scores as none (0) – moderate (1-3) – substantial (4-6)	0 – 6
categorisation of *emphasis*, *relevance* and *duration* as none – moderate – substantial with 'none' implying that no manifestation was found.	

Table 4.7: Indicators for the diffusion mechanism 'assistance'

4.4.3 Lesson-drawing

Lesson-drawing occurs when an actor decides to seek and take on board the experience of others to solve a specific problem. This logic implies two elements that form the core of this diffusion mechanism and guide the development of indicators. First, lesson-drawing can occur without a direct involvement of the sender. And second, it is driven by functional and utility calculations on the side of the EU's counterpart.

In consequence, to identify lesson-drawing, the absence or limited relevance of direct EU incentives is a central indicator. This does not exclude that the EU may be exerting a more general influence addressed at a wider public, for example by praising the virtues of regional cooperation in general terms. But it excludes direct influences aimed at convincing a specific actor to behave in a certain way. Lesson-drawing also implies that the initiative for the action lies in the hands of the EU's counterpart rather than on the side of the EU. This initiative can manifest itself for example in requests for the experience of (EU) policy-makers or experts or in the organisation of public discussions. As a process that is led by rational calculations, lesson-drawing is also likely to be accompanied by analyses and studies by experts, officials or policy-makers that weight the advantages and disadvantages of specific institutional changes (Lenz 2012: 159). The commissioning or authoring of such studies or the organisation of expert meetings at the initiative of the EU's counterpart are therefore further indicators for lesson-drawing.[99] As lesson-drawing processes imply rational analysis and utility calculations, they can also lead to deliberate adaptations of foreign templates to local realities (Rose 1991: 26; Strang and Meyer 1993: 500). Such

[99] In cases in which such studies have been commissioned by the EU's partner at the expenses of the EU, it will be necessary to assess who took the initiative.

adaptations are a clear indicator for lesson-drawing and can be manifested in technical documents or in statements of involved experts or officials. It is important to highlight though that only those modifications of foreign templates that can be attributed to the consideration of functional advantages or disadvantages can be seen as indicators for lesson-drawing.[100] In line with the arguments above, institutional changes arising from lesson-drawing are likely to be justified to stakeholders or the public with eminently functional reasons, for example with the need to tackle an existing problem in a more effective way. In addition to the mere presence of the indicators elaborated above, their number and intensity will be taken into account to judge the strength of lesson-drawing as a mechanism of institutional change, forming a nominal and several ordinal scales that are aggregated to form an index variable as shown in table 4.8 below.

Impact of lesson-drawing

Indicators (units of assessment in *italics*)	**Score**
relevance of EU incentives specifically directed at the observed institutional change as evidenced in **documents**, **interviews** with actors from the EU and its counterpart.	*0 – 2*
degree of initiative by the EU's counterpart as evidenced in documented or reported **requests**, **public discussions.**	*0 – 2*
number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in **documents** or **interviews.**	*0 – 2*
adaptation of foreign templates to local conditions as a result of functional considerations, manifested in technical **documents** or **interviews**.	*0 / 1*
predominance of justifications of the institutional change with functional reasons and/or weighting of alternative policies evidenced in **official documents, public statements or interviews.**	*0 – 2*
Impact of lesson-drawing scores as none (0) – moderate (1-5) – substantial (6-9)	0 - 9
categorisation of *adaptation* as yes (1) – no (0). categorisation of *degree, predominance* and *number* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found. categorisation of *relevance* as none (2) – moderate (1) – substantial (0).[101]	

Table 4.8: Indicators for the diffusion mechanism 'lesson-drawing'

4.4.4 Persuasion

As shown while developing the hypothesis in the previous chapter, persuasion focuses on changes in the preferences of policy-makers. Since preferences cannot be directly

[100] If they instead follow other considerations, they are likely to indicate emulation processes as will be shown below.

[101] Relevance of EU incentives is counted in the opposite direction (i.e. high incentives score as 0) as such incentives denote that action did not stem predominantly from the EU's partner but from the EU.

observed, this makes it probably the diffusion mechanism most difficult to identify in practice. Therefore, two important points must be borne in mind when developing indicators for the impact of persuasion. First, persuasion is by definition a mechanism clearly initiated and driven by the sender of a specific influence. Second, the central logic to persuasion is that of conviction. Decision-makers have to be convinced by their persuaders to change their preferences and act accordingly. Thus, the following paragraphs concentrate on identifying predominant agency of the sender and conviction as the two essential elements of persuasion.

Apart from the insights that stem from the analysis of the independent variable, predominance in the activity of the sender, i.e. of the EU, can be identified also by looking closer at the presumed diffusion process. With political dialogues being the most likely arena for persuasion processes between policy-makers, investigating who was predominant in placing specific points on the agenda of such discussions provides a first indicator. Outside of political dialogues, such predominant agency can also be manifested in targeted support for epistemic communities that advocate the positions pursued by the EU and aim at changing the perceptions and preferences of local policy-makers.[102] In a similar vein, EU support can also be directed at selectively empowering political actors that pursue an agenda supportive of that of the EU. This argument has been developed from the perspective of a material ontology (Börzel and Risse 2007: 492) but there is no reason why this logic could not also be applied to processes of persuasion where arguments and information are the resources. If such empowerment occurs, we would expect EU actors to especially highlight like-minded political actors in public utterances or through diplomatic means such as visits and meetings. Both epistemic communities and political actors can then act similarly to what the norm diffusion literature terms 'norm entrepreneurs' (see exemplarily Finnemore and Sikkink 1998). By publicly advocating EU-promoted positions, they can contribute to changing the preferences of decision-makers.

To identify conviction, it is useful to refer to the elements that go hand in hand with the process of convincing someone of a certain position. Such a process is, firstly, likely to

[102] The term epistemic community was introduced by Ernst Haas in IR literature and refers to "a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area." (Haas 1992: 3).

take a certain amount of time as it implies an adaptation of existing preferences to a new source of influence. The permanence of a specific topic on the agenda of political dialogues between the EU and its target is an indicator for the time-span of persuasion.[103] Research on socialisation has furthermore identified a number of conditions that make persuasion more probable.[104] The novelty of the target of influence to a specific context – in our case to regional cooperation or to a closer relationship with the EU – is one of these conditions. As the argument goes, a novel actor will be more motivated to take up new points of view on a given matter and therefore to change its preferences. This argument also holds conversely: the more recognised and experienced the sender of influence, the greater his persuasive potential. Therefore we can take the difference in experience in regional cooperation as an indication that persuasion is likely. Taking into account that the EU is the most developed integration endeavour and will virtually always be the more experienced actor, this indication should nonetheless not be overemphasised. Persuasion will also be more probable if the interaction between the sender and the recipient occurs in less politicized and insulated arenas than in public (Checkel 2005: 813). This latter condition certainly holds for discussions in political dialogues. While these three conditions are not by themselves sufficient indicators of persuasion, they point at a pattern of evidence consistent with persuasion.

Beyond the process of convincing someone, successful persuasion implies that preferences will have changed – as opposed to merely instrumental reactions to a different context.[105] Thus, Checkel highlights that the effects of persuasion should remain observable over a significant period of time (Checkel 2005: 813). In consequence, behaviour according to the new preferences should be constant over time and across different contexts (Checkel 2001: 566). In the context of this thesis, such constant behaviour can be expressed in political decisions consistent with the institutional change and in commitment to the change. This commitment can be observed in terms of funding or of the relevance given to the specific institutional change in policy-making. In a similar yet different vein, if

[103] The permanence of a topic on the agenda is obviously only a valuable indicator as long as the topic is not just kept on the agenda but also actively discussed. As many international negotiations are held under the implicit rule 'nothing is agreed until everything is agreed', the empirical analysis will in such cases inquire whether a topic was still actively discussed or not.

[104] The referred research from Jeffrey Checkel uses the term 'normative suasion', a process analogous to persuasion. In a later article, Checkel himself uses 'persuasion' to refer to the same phenomenon (Checkel 2006: 364).

[105] Recall how Checkel distinguishes between type I and type II socialisation, as highlighted in the development of the persuasion hypothesis (see section 3.3 above).

persuasion has been successful and therefore has modified the preferences of actors, these new preferences may soon be taken for granted. If this is the case, the preferences may well be absent from public debate, as has been highlighted by Martha Finnemore and Kathryn Sikkink (1998: 904). While Finnemore and Sikkink argue that this absence makes it hard to discern the changed preferences in practice, it is also possible to turn this absence into an indicator. If the other above indicators point at persuasion, but the preferences seem absent from public discourse, it is likely that persuasion will have taken place.[106]

Due to its elusive nature, the focus on patterns of evidence is especially convenient when assessing the presence of persuasion. Thus, the persuasion hypothesis will only be regarded as valid if a clear majority of the indicators can be observed at the same time. This approach allows us to detect patterns of evidence that increase the validity of the analysis as discussed in the introduction to this operationalisation chapter. In our index for the impact of persuasion, this is reflected by shifting up the threshold from which on the index scores as 'none' to six out of 13 possible points.[107] Like for the previous hypotheses, table 4.9 below lists the indicators for the persuasion mechanism and the scales in which they will be assessed.

Impact of persuasion

Indicators (units of assessment in *italics*)	**Score**
predominance of the EU in **setting items related to institutional change** on the bilateral agenda as observed in **meeting agendas** and **interviews** with participants of meetings.	*0 – 2*
significance of EU **support to epistemic communities** that pursue an agenda oriented towards institutional change.	*0 – 2*
presence of **selective empowerment of political actors** that pursue an agenda oriented towards institutional change.	*0 / 1*
Duration of a topic related to institutional change on the **bilateral agenda**.	*0 – 2*
significance of the difference in experience in regional cooperation / integration between EU and target.	*0 – 2*

[106] This also emphasises the importance of interviews in retrieving data for the analysis, as interviews allow to directly test for preferences not observable otherwise.

[107] The value 'six' is chosen as it represents considerably more than a third of the possible points and because it requires that at least three indicators have been found – with a high probability of the score being spread over more than three indicators.

presence of interaction in relatively unpoliticised and in-camera settings.	*0 / 1*
duration of behaviour by the target that is consistent with the institutional change, also across different contexts as observed in **political decisions** and commitment to the institutional change (e.g. in terms of **funding** and relevance in **policy-making**).	*0 – 2*
absence of the changed preferences from public debate, coupled with their *presence* in **interviews** with policy-makers.	*0 / 1*
Impact of persuasion scores as none (0-6) – moderate (7-11) – substantial (12-13)	0 - 13
categorisation of *presence* and *absence* as yes (1) – no (0). categorisation of *predominance, significance* and *duration* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 4.9: Indicators for the diffusion mechanism 'persuasion'

4.4.5 Emulation

Two elements stand at the core of emulation as it was described in the theory chapter: the quest for externally induced legitimation by referring to the EU as an example or model and the likeliness of a deliberate discrepancy between the adoption of institutional change and its application in practice ('decoupling').

Therefore, the starting point and primary indicator for emulation is legitimacy-seeking behaviour. Such behaviour will be indicated by prominent references to the success of the adopted institutional change elsewhere. If such references are predominant above other possible ways of legitimation and refer to the EU as a model, we can conclude that the quest for external legitimation was decisive in the adoption. Such legitimacy-seeking may be found through interviews with decision-makers, in official documents relating to institutional change, or in justifications made by decision-makers to their local parliaments, the public or the press. In a similar vein, if a specific institutional change was borrowed and adopted although functionally more adequate alternatives were available and known, it is likely that we are witnessing emulation (Jetschke and Murray 2012: 180–1). Beyond clearer references, Meyer and Rowan (1977: 349–50) have highlighted that the quest for external legitimisation can be manifested already in such detailed elements as borrowing the vocabulary used from other organisations. While also this latter indicator can be taken into account, explicit references are obviously the stronger indicator since they would reflect a clearly intended behaviour.

The second step is then to observe the discrepancy between the institutional change and its application in practice. It is possible to observe this discrepancy by comparing the once set goals with reports, both in documents and in interviews, on its

application. Such reports will be retrieved both from local participants and decision-makers (e.g. officials), from stakeholders as NGOs, from EU policy-makers as well as from secondary and academic literature on the matter. In the course of this comparison, it is important to assess whether the observed discrepancy is intended or not. Otherwise we would be just witnessing a different development than once intended but not a deliberate 'decoupling'.

Three further indicators do not by themselves indicate emulation but contribute to a pattern of evidence. First, changing institutions without a thorough *ex-ante* assessment or *ex-post* evaluation of the effectiveness of the changes can point at policy-makers that are more interested in the further benefits associated with change – such as increased legitimacy – than in their actual functioning. This has been highlighted by previous literature adopting a diffusion framework to differentiate emulation from lesson-drawing processes motivated by an instrumental rationality (Elkins and Simmons 2005: 44; Lenz 2012: 159)[108]. Second, if no functional demand for the institutional change can be observed, it is likely that the change was motivated by other reasons, such as the wish to increase legitimacy (Jetschke and Murray 2012: 180–1). A third indicator that can point at emulation is the absence of clear and reliable performance indicators to assess the effectiveness of the institutional change adopted. If goals and performance indicators are ambiguous, it is easier to recur to external models to legitimise the institutional change (Meyer and Rowan 1977: 356–7). Nonetheless, this indicator needs to be taken with a pinch of salt since many other reasons, such as the wish to ensure adaptability to a changing context, can justify ambiguous goals in a political context. As in the case of persuasion, the necessary caution will be reflected by shifting up the 'none' category of the variable to a higher score: three out of seven possible points.[109]

Impact of emulation

Indicators (units of assessment in *italics*)	**Score**
predominance of **prominent references** to the success of the adopted institutional change elsewhere	*0 – 2*
presence of functionally **more adequate and known alternatives** to the change adopted	*0 /1*

[108] Elkins and Simmons do not use the term 'emulation`, but speak of 'adaptation', a group of mechanisms characterised by being less rational than (scientific) learning.

[109] The value 'three' is chosen as it requires that at least two indicators are found. With most indicators being nominal and having a maximum value of 'one', it is most probable that a score of 'four' requires more than three indicators. This would represent a significant pattern of evidence.

adoption of EU-promoted institutional change **without its application in practice**	*0 /1*
adoption of institutions **without a thorough assessment** of their effectiveness	*0 / 1*
absence of **a functional motivation** for the institutional change	*0 / 1*
presence of **ambiguous goals and performance indicators**	*0 / 1*
Impact of emulation scores as none (0-3) – moderate (4-5) –substantial (6-7)	0 – 7
categorisation of *adoption*, *absence* and *presence* as yes (1) – no (0). categorisation of *predominance* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 4.10: Indicators for the diffusion mechanism 'emulation'

Conclusion

This chapter has spelled out indicators to measure the variables and the hypothesised causal mechanisms connecting them. After discussing the relevant criteria to develop the indicators, the dependent variable 'institutional change modelled according to EU aims' was operationalised in sub-chapter 4.2. It was defined as a variable measured against an ordinal index. The index consists of four elements that reflect the degree of institutional change: core function of the institution, actors, decision-making and competences. The use of an index allows us to distinguish between different elements of institutional change making it easier to compare the result of the EU's promotion of regional cooperation also across cases and regions.

The ensuing sub-chapter 4.3 operationalised the independent variable 'EU instruments to promote regional cooperation'. Following a broad understanding of foreign policy and in line with the EU's nature as an external actor, the indicators were defined along the three policy fields 'trade and economic relations', 'development cooperation and technical assistance' and 'political relations'. The independent variable is assessed using ordinal indices with the categories none, low, middle and strong. In order to increase the comparability across cases and regions, the individual instruments applied by the EU are also grouped in four clusters that reflect different logics of external action: threat-, condition-, incentive- and role model-based. These clusters add a layer of abstraction allowing us to set the different types of instruments in relation with the results in the cross-case analysis.

The fourth section of this chapter identified indicators for the diffusion mechanisms conditionality, assistance, lesson-drawing, persuasion and emulation. While the focus of the operationalisation of the independent variable lay on identifying which instruments where

used by the EU, the indicators for the causal mechanisms elucidate which mechanisms did actually have an impact on the actions of EU partners. Taking care to reach an unambiguous operationalisation for each of the five mechanisms, several indicators were developed for each mechanism and aggregated to indices that allow to assess the impact of each mechanism. The indicators for each mechanism complement each other – together they form patterns of evidence that denote the presence of the individual causal mechanisms. While the principal aim is to assess the presence or absence of specific causal paths in the with-in case analysis, the operationalisation of the mechanisms as ordinal variables will allow us to rank their relevance with a view to the cross-case analysis.

Now that this chapter has connected the theoretically developed mechanisms and variables with indicators that can be assessed in practice, the following chapter lays down the methodological basis for the empirical analysis.

5 Methods

The present chapter develops the methodological framework that connects the theoretical expectations with the empirical test that will be pursued in part III of this thesis. The chapter proceeds in four sub-chapters summed up in a conclusion. The first sub-chapter (5.1) argues that a case-study approach is the most appropriate in light of the research questions posed. It then develops a specific case-study design that allows reaching conclusions regarding the cases analysed as well as across them. Sub-chapter 5.2 selects the two regions that will be studied by applying the 'diverse case' selection method. The remaining two sub-chapters focus on the methods for our empirical analysis. Sub-chapter 5.3 is devoted to the analytical tools used to reach valid conclusions from the cases studied at the case and cross-case levels. On this basis, sub-chapter 5.4 explains how the data for the analysis will be generated and gathered. It discusses the two types of data sources used, documents and semi-structured elite interviews, as well as their value for the analysis. A conclusion sums up the results and connects them to the ensuing empirical analysis.

5.1 Case-study design

This piece of research is based on the intensive study and comparison of case studies. Case-study research is though by no means the only method available in social science research in general or in political science more specifically. Large-n studies relying on statistical analysis are also often used to reach valid conclusions when the aim is to address questions about the impact of specific stimuli, as in the case of this thesis. Therefore, the choice of a case-study approach needs to be well-founded. In addition to this more general distinction between large-n and small-n research designs, the options available to design small-n case-study research are plentiful. In light of the myriad of potential research designs available, the two following sections explain first why a case-study approach is the best-suited to answer the research questions posed in this thesis. On this basis, a specific case-study design is developed that allows us to reach conclusions both at the level of the individual case studies as well as across the case studies.

5.1.1 The case for a case-study approach

Case studies can be undertaken with a view to understanding the specific case studied itself or with the aim of drawing inferences valid for a larger number of cases. Following the

latter understanding, a case study is often defined as "an intensive study of a single unit for the purpose of understanding a larger class of (similar) units." (Gerring 2004: 342). As the main research question of this thesis (*"How, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?"*) implies, our interest goes beyond the single case. Especially in such a situation, the choice for an approach based on a limited number of case studies may not seem straightforward. But four major points speak in favour of a case-study approach.

First and most prominently our research interest lies in uncovering the motivation and causal links behind decisions to establish and change certain institutions. It does not just aim at finding institutional change as such or at determining its mere coincidence with a certain stimulus from the EU. Speaking in abstract terms, we are interested in *causality* rather than in mere incidence or coincidence. [110] Questions of causality require delving into actual decision-making and interaction and to uncover the operational links between different procedural steps (Yin 2009: 9). This can be better achieved by case studies as they allow looking at processes linking independent and dependent variables. This is important since "causal arguments depend not only on measuring causal effects. They also presuppose the identification of a causal mechanism [...]; otherwise, it is unclear whether a pattern of covariation is truly causal in nature." (Gerring 2004: 348) (see also Leuffen 2007: 148–9).[111] As large-n studies always involve a higher level of aggregation that can obscure the identification of causal mechanisms, a small-n approach is better suited to uncover them.

These advantages also apply to a second element that is closely related to the issue of causality: equifinality. As argued in the setup of the theoretical model in the previous chapter, several different factors may have an influence on the development of regional cooperation. From a methodological point of view this means that we have to confront equifinality, i.e. situations in which several causal paths may have led to the observed outcome (George and Bennett 2005: 20). This issue is especially important for this piece of

[110] The lack of focus on causality is actually one of the desiderata of the existent literature on the promotion of regional cooperation (see introduction and chapter 2.3).
[111] Heichel and Sommerer (2007: 112) make the same argument more specifically for diffusion studies.

research since we are interested in discerning which of the hypothesised mechanisms was decisive in each of the cases studied. The closer our research design allows us to zoom into the actual decision-making and the involved processes, the more we can "peer into the box of causality to the intermediate causes lying between some cause and its purported effect" (Gerring 2004: 348; cf. George and Bennett 2005: 20–2).

Thirdly, the effect of scope conditions is also easier to take into account in case studies. This is especially so if the presence and effect of the scope conditions is likely to vary across the cases studied.[112] Put simply, case studies allow us to look much closer into the context of the individual cases and to define the variance of the scope conditions independently for each of the cases (Gerring 2004: 348). In contrast, large-n approaches always run the risk of masking the role of scope conditions (George and Bennett 2005: 20–2; Yin 2009: 12) and are less suited for the detection of boundaries between contextual factors and our hypothesised mechanisms (Yin 2009: 19). As we argued before that diffusion processes concerning regional cooperation are likely to be influenced by scope conditions, this advantage is one that should be seized.

Lastly, issues of data collection also speak in favour of pursuing a case-study approach. Social interaction can always be subject to certain idiosyncrasies (such as different understandings of hierarchy) which can be better taken into account from a closer perspective. In consequence, case studies allow for a contextualised comparison that is impossible in large-n studies (George and Bennett 2005: 19). Only such an approach can take into account potential problems of equivalence while still ensuring conceptual validity. Closely related is the fact that case studies are more accessible to the use of several types and sources of data for the empirical study. Again, this allows to better deal with the idiosyncrasies of individual cases and provides us with more information about our object of study. In turn, having more knowledge about the case and its specific context allows us to triangulate data from different sources and check whether it converges (George and Bennett 2005: 18), thereby increasing the internal validity of our conclusions.

In view of these four advantages, this study opts for a case-study approach that closely analyses the influence of the EU on regional cooperation and integration. Choosing a case-study approach does however not imply abdicating from the aspiration of reaching a

[112] See the discussion on the scope conditions and their variation in section 3.2.2 above.

number of cross-case conclusions as well. In order to achieve these goals, a common research design that allows reaching in-case as well as cross-case results will be applied. This aspiration is built on two central foundations: the type of case-study design used and the selection of the regions and cases. The following section deals with the first foundation and develops a specific case-study design.

5.1.2 Case-study design

The case-study design applied in this thesis pursues two objectives. It exploits the advantages inherent in a case-study analysis mentioned above while adding a comparative perspective that allows us to draw conclusions also across cases. As put by Beach and Pedersen (2013: 74–5), while the within-case analysis assesses the existence or absence of the hypothesised causal mechanisms, the cross-case perspective allows us to learn more about the magnitude of the causal effects. Translated into our study, a combination of within- and cross-case analysis is necessary to compare the impact of the EU's efforts under varying conditions – a matter on which the main research question and sub-research question three more precisely focus on. But it is also advisable for two methodological reasons.

Combining the within- and cross-case levels

First, a combination of case and cross-case analysis is fitting for the purpose of testing the effect of hypothesised causal mechanisms. This is the case for a number of reasons. Thorough case studies provide us with the necessary proximity to actually detect the causal mechanisms at work. While a single case study can be useful to disprove a causal mechanism when performed on a crucial case[113], it will always be limited in terms of its confirmatory power (Gerring 2004: 350). Since our research relies on the confirmation or rejection of hypothesised causal mechanisms, testing them on different cases provides stronger evidence. In addition, the combination of case-study and cross-case analysis is

[113] A crucial case is one that is critical for a broader theory or concept. These can be cases that have defined or exemplified a concept (such as the 1789 French revolution) or cases with an unlikely result in terms of the theory used (Gerring 2001: 219–21). The latter ones are often referred to as 'deviant' cases (Seawright and Gerring 2008: 302). In other terms, a crucial case is one "in which a theory that passes empirical testing is strongly supported and one that fails is strongly impugned." (George and Bennett(2005: 9).

especially indicated to investigate situations in which we may have similar outcomes (i.e. dependent variables) and similar influences (i.e. independent variables) but different interactions between them, as it allows us to focus on the role of different causal mechanisms (George and Bennett 2005: 82). This is indeed the case of our research topic. While the outcome is likely to be different in detail in terms of success, policy areas, duration, etc., we can only study the potential influence of the EU on such cases in which there has been some sort of institutional change.[114] The same applies to the independent variable, albeit to a lesser extent. In all cases studied we have an intention of the EU to encourage regional cooperation, although the mix of the instruments used differs.[115]

Second, the combination of within- and cross-case analysis helps to pursue more structured, transparent and hence more replicable research. This follows from using the same structure, variables, hypotheses and types of data for all the cases studied. This is the reason why proponents of a case study-approach inclined to methodological rigor often recommend a combination of both individual case studies and a comparative perspective (King *et al.* 1994: 45; George and Bennett 2005: 67) or at the very least argue that these are perfectly compatible (Gerring 2004: 350; Hall 2012: 27–8).

To combine within- and cross-case analysis in a structured manner, this thesis proceeds in two steps. In the first step, the case studies for the two regions are carried out. In the second step, the results of the case studies are compared with each other. This case-study design follows a logic of replication that stands in contrast to a sampling design. This contrast is shown figure 5.1 in below. While sampling designs are similar to the practice used in surveys, where all respondents are dealt with as one unit of analysis and conclusions are drawn from the whole of the results, a replication design follows the logic of repeated experiments as it is common to many natural sciences (Yin 2009: 53–9). The same research design is subsequently applied to several units of analysis and conclusions can be drawn both from the individual cases as well as from the comparison of these results.

[114] This does not imply a selection bias on the side of the dependent variable (i.e. selecting only cases on which there has been an EU influence), since institutional change may also have occurred without an EU influence.

[115] The mapping presented in chapter 2.2 shows this intention in general terms, the case studies in chapters 6 and 7 will show it for the specific case studies.

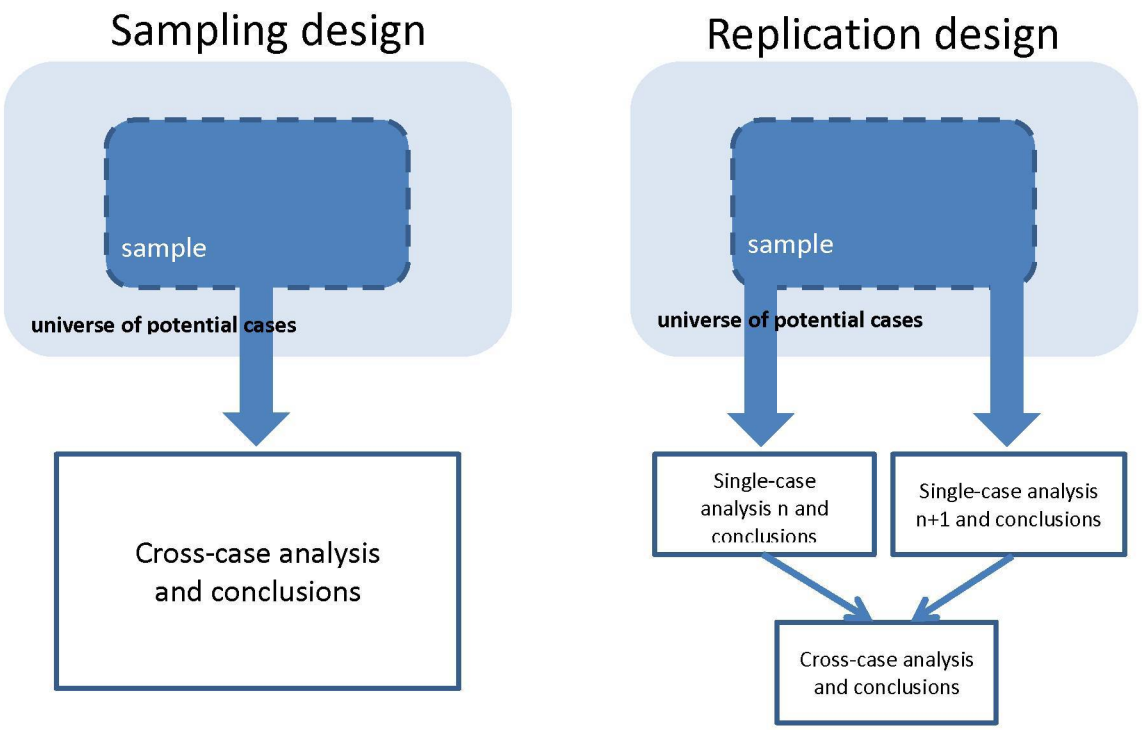

Figure 5.1: Contrast of sampling and replication case-study designs

First step: Single-case analysis

The case studies undertaken in the first step are analysed in three layers as shown in figure 5.2 below. They are first embedded into the contextual explanations necessary to understand possible idiosyncrasies of the individual regions and to situate the cases into their regional context. This first contextual layer reflects on the role of the scope conditions and pays tribute to the important role of contextual information for process-tracing analysis (on the latter see Beach and Pedersen 2013, manuscript: 153–9 and section 5.3 below). Furthermore, this first layer prevents the risk of losing the big picture, a risk always inherent to mechanistic theories as Checkel (2006: 368–9) notes. In a second layer, the study concentrates on two fields (referred to as 'I' and 'II' in the figure below): market integration and institution-building. These two fields have been chosen because they are relevant for the development of regional cooperation as a whole[116] and because they have

[116] This is confirmed by most integration theories and by studies that reflect the emergence of regional cooperation and integration.

been traditionally highlighted by the efforts of the EU.[117] The (potential) importance of the fields for regional cooperation will also be accounted for in the contextual layer. Market integration refers to the creation of regional markets, usually through trade liberalisation or efforts to harmonise trade rules or market conditions. Institution-building refers to the creation of and support for permanent regional institutions. In order to be able to closely analyse the EU's influence on institutional change in these two fields, the empirical analysis concentrates on several specific cases of institutional change in each of the two fields. This third layer allows to trace actual decision-making processes and to exclude to the maximum extent possible that external influences are overseen in the analysis.[118]

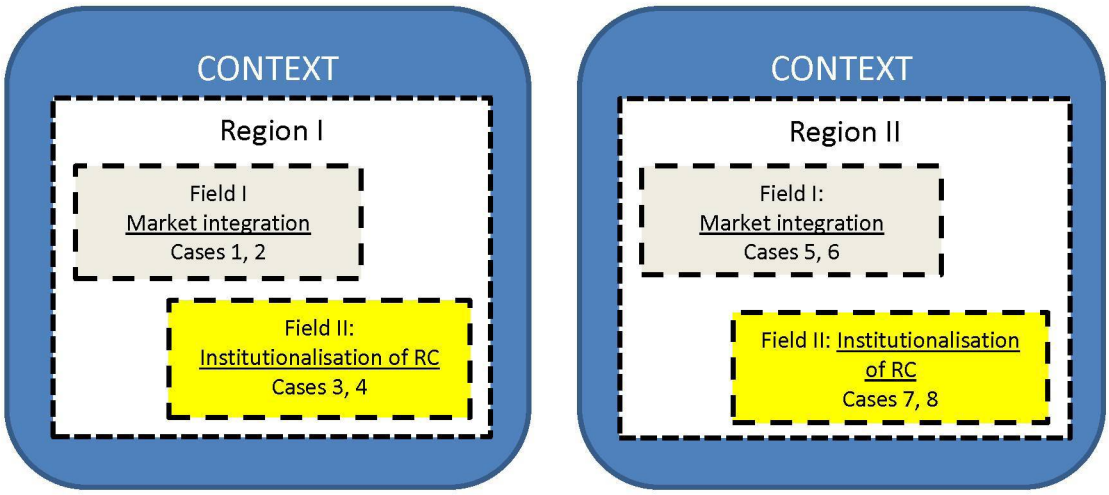

Figure 5.2: Visualisation of the case-study design (based on Yin 2009: 46)

The case analysis will allow distinguishing whether and in how far the hypothesised causal mechanisms explain institutional change for each of the cases, fields and regions. As a result we will be able to determine which of the causal mechanisms played the most, second most, and etc. important role in each of the fields and regions analysed.

Second step: cross-case analysis

After undertaking the case analyses for the two regions, the results will be compared to each other in an ordinal comparison that allows us to ascertain how the relevance of the

[117] The objectives of EU promotion of regional cooperation were surveyed in more detail in chapter 2.2 above.

[118] Controlling for potential influences exogenous to our hypotheses is especially important when using an x-centered research design that seeks to explain different causal paths as is our case (Gschwend and Schimmelfennig 2007: 23).

mechanisms varies in influencing institutional change in each of the two regions.[119] For example, we may then conclude that conditionality is consistently the mechanism with the highest explanatory power in the first region and lesson-drawing the one explaining most of EU-influenced institutional change in the second region. This comparison will allow us to assess if and how the stronger presence of certain mechanisms leads to a stronger EU effect on regional cooperation beyond its borders and how these mechanisms relate to the scope conditions present in each case, including the power asymmetries between the EU and the respective region. Having set the case-study design that will be applied in this work, the next sub-chapter fills in the structure pictured in figure 5.2 above with specific regions and sets out the criteria for the selection of the fields and cases. It first explains the criteria guiding the selection of the regions and then performs the actual selection.

5.2 Selection of regions, fields, and cases

A careful and well-founded selection is central to our aspiration to reach both with-in case and cross-case conclusions. In our study, the main task in this regard lies in choosing the regions to be studied among all those towards which the EU has acted as region-builder. The fields, and the cases on which the with-in case analysis will be performed, are embedded in them. Therefore, the bulk of this sub-chapter lays out an adequate case-selection method that is then used to select the two relationships between the EU and other regions. Once these have been selected, further criteria are developed for the selection of the fields and cases in the two regions.

In social science research, a case can be defined as an "an instance of a class of events" (George and Bennett 2005: 17). A case consists of a "unit of analysis" which is observed at a particular point in time (Gerring 2004: 342). Following this understanding, two main choices have to be made to select the cases for our study: the choice of units of analysis and that of the specific time frames during which the units will be analysed. Two criteria guide these choices. Firstly – and most obviously – the cases need to be relevant to the research questions driving this study (George and Bennett 2005: 83). Secondly, the selected cases need to be placed in relation to the rest of cases that could potentially be analysed, i.e. to the population of cases. While this latter criterion is not required for the

[119] How the ordinal comparison will be performed is explained in section 5.3 below.

analysis with-in the cases, it is necessary to assess the domain of applicability of our cross-case conclusions (Seawright and Gerring 2008: 306). The population consists both of our studied cases, which form the sample for our analysis, as well as of all unstudied cases. Only if the relationship between these two groups is clear, can we establish how and under what conditions our cross-case conclusions may be applicable to the whole population of cases, i.e. be representative. The following paragraphs lay down the case-selection technique applied in this thesis.

5.2.1 The case for a diverse-case selection

Small-n research as the present one is always more prone to selection bias, "commonly understood as occurring when some form of selection process in either the design of the study or the real-world phenomena under investigation results in inferences that suffer from systematic error" (Collier and Mahoney 1996: 59). The reason is that small-n research cannot rely on the randomised selection of cases commonly used in large-n research designs.[120] Therefore a number of purposive (i.e. non-random) case selection techniques have been proposed to minimise selection bias as far as possible (Seawright and Gerring 2008). Out of these techniques, two seem most appropriate to our research questions and to our combination of with-in case and cross-case analysis: the typical-case method and the diverse-case method. They are the most adequate because they aim at selecting a representative sample of cases while still allowing for an intensive analysis within the selected cases (Seawright and Gerring 2008: 299–301). Out of these two potential selection techniques, this study opts for the diverse-case selection. It will guide the selection of the two regions for our study. This choice is motivated by two main reasons: on one hand, the complications inherent to the selection of typical cases and on the other, a number of advantages that make the diverse-case selection more fitting to our diffusion approach and our research questions.

The main obstacle for the typical-case method lies in the prerequisites that it establishes to select the cases. It aims to draw a representative sample by choosing such cases that "exemplif[y] a stable, cross-case relationship, (...) well explained by an existing model" (Seawright and Gerring 2008: 299). While this is arguably a feasible method to

[120] A random selection is not suitable for small samples as individual cases in a smaller sample are more likely to deviate strongly from the mean of both the sample and the population. In practice, this means that a randomly selected sample is likely to include cases with extreme characteristics and therefore to be biased from the outset.

achieve representativeness, it implies that the selection needs to be based on a previous analysis and knowledge about the 'stable cross-case relationship'. Consequently, Seawright & Gerring propose to select typical cases among those cases that have proven to be in line with the hypothesised expectations of a large-n analysis (2008: 299–300). But this requirement collides with the fact that (as mentioned in the introduction) many of the regions towards which the EU has engaged as a promoter of cooperation have not been studied from this point of view, neither in small- nor large-n studies. Furthermore, as Rohlfing (2008: 1499) points out, such a selection would hinge on the reliability of the previous large-n analysis. In addition, a selection based on the results of a previous analysis implies selecting on the dependent variable. As convincingly and widely argued, a selection on the dependent variable may be useful to disprove established theories or to improve an existing model, but is not useful to achieve generalizable results (King *et al.* 1994: 129–32; Collier and Mahoney 1996: 59–63; Geddes 1990: 132–3).[121]

Opposed to this, a diverse-case selection can be based exclusively on the independent variable, thereby minimising the problems inherent in a selection on the dependent variable (King *et al.* 1994: 137). In addition, a selection of diverse cases is well-suited to deal with equifinality (Seawright and Gerring 2008: 300), i.e. with the role that different causal paths may play in leading to the same result. Thereby, this selection method addresses a concern that was identified at several points in the previous argumentation and that is one of the central motives behind the choice for a diffusion approach. The main disadvantage of the diverse-case selection technique is that the representation of a high variation of cases may distort the internal distribution of the cases along that variation, i.e., in practice, there may be many more 'low' than 'high' cases or vice versa than reflected in our selection (Seawright and Gerring 2008: 301). Nonetheless, this disadvantage is justifiable if the main objective of the research is to assess the role of different causal mechanisms and to compare their prevalence in a secondary comparison (Collier and Mahoney 1996: 74), as it is the case for our study. The central aim of the diverse-case selection method is to cover the widest range of values possible along a

[121] Geddes shows in her article how the results of three prominent studies change dramatically if a case selection along the dependent variable is avoided (Geddes 1990: 148–9). While Geddes' article has been censured for misinterpreting the aims of the studies she criticises, her conclusions on the role of selection along the dependent variable remain valid (Collier and Mahoney 1996: 80–7).

relevant dimension (Seawright and Gerring 2008: 300–1), in our case the independent variable 'Use of EU instruments to promote regional cooperation'. The ensuing section performs this selection.

5.2.2 Population and selection of the regions

The survey conducted in chapter 2.2 led to 31 EU relationships with other regions towards which the EU has formulated a region-building policy and in which the EU uses some kind of instrument to promote regional cooperation. Still, a pre-selection is necessary if we want to reach a comprehensive assessment regarding the different EU instruments. This is the case because, as table A.1 in the annex reveals, not all cases are covered by one central element of our independent variable 'EU instruments to promote regional cooperation': trade and economic relations – especially not trade.

The cases for which trade and economic relations do not play a role can be clustered into two groups. On one hand, a number of cases have a more multilateral character, bringing together on the EU side both the actors of the EU institutions and representatives from the member states. These arrangements (specifically: the EU-CELAC process, the EU-Africa Partnership, the ASEM and the EU-ARF), overlap with region-to-region encounters and do not directly deal with trade aspects. This does not mean that trade issues are not discussed in these formats, but practical policy and negotiations are conducted in the sub-regional or bilateral formats these wider frameworks overlap with (for instance between the EU and ECOWAS for the EU-Africa Partnership). On the other hand, a second group in which trade relations are not part of the regional perspective is that of the relations with groups of states (e.g. with the states in the Sahel region). This pre-selection, discarding the cases in which trade relations do not play a direct role, leaves us with 15 cases. These are listed in box 5.1 below.

EU-West Africa (ECOWAS/UEMOA), EU-Southern Africa (SADC), EU-Central, Eastern and Southern Africa (COMESA), EU-Eastern Africa (EAC), EU-Indian Ocean Region (IOC), EU-Central Africa (CEMAC, CEEAC, CEPGL), EU-Caribbean (CARICOM, OECS, Cariforum), EU-Andean Region (Andean Community), EU-Central America (SICA+), EU-Southern Cone (Mercosur), EU-Persian Gulf (GCC), EU-South East Asia (ASEAN), EU-UfM/EuroMed, EU-Arab Mediterranean Countries (AMFTA), EU-Western Balkans.

Box 5.1: Pre-selection of EU relationships with regions

Two regions: high and low

Out of the remaining 15 regional relationships, two are to be selected according to the diverse-case selection technique. In practice, this means that an EU relationship with another region will be selected that shows a high value of the independent variable 'Use of EU instruments to promote regional cooperation' and another case showing a low value. In order to perform this selection, figure A.1 in annex A groups the 15 regions along the intensity of the independent variable. This grouping is performed along the three dimensions of the independent variable that were outlined in the operationalisation in subchapter 4.2 above: trade and economic relations, development cooperation and technical assistance and political relations.

The selection of the 'high' case, i.e. the case in which most EU instruments are applied to foster regional cooperation, is straightforward. The EU-Western Balkans case brings together virtually every single instrument available in the EU foreign policy toolbox. In each of the three broad elements of the independent variable, the EU-Western Balkans case ranks highest. After the traumatic experience of the EU's inability to prevent or even to react more effectively to the wars that accompanied the breakup of Yugoslavia, the EU has been deploying all its tools and instruments to stabilise and integrate the region, ranging from diplomatic relations, over cooperation even in military terms up to the offer on an accession to the EU to all countries in the region, with all the financial and political implications this entails. The EU-Western Balkans will thus be our 'high' case.

The selection of a 'low' case is more complicated not only because there are more of them, but also because it is not always easy to delineate the boundaries between the different instruments used by the EU. This is often the result of growing interaction between former Community or external relations instruments and those of the CFSP. This confirms to a certain extent that one of the main objectives of the Lisbon reforms of the EU foreign-policy architecture is translating into practice.[122] Although the group is more

[122] The case of the EU's relationship with the League of Arab States serves to illustrate this point. On one hand, it is manifest that the relationship was and still is governed by the instruments available through the CFSP. Politically, it is driven by ministerial meetings between EU and LAS foreign ministers and by meetings between the HR/VP and the Secretary General of the LAS. Funding for common projects is generally drawn from the Instrument for Stability, thereby implying only limited

heterogeneous, it becomes clear that we can form a group of 'low' cases out of which to select the second case for our empirical analysis. As figure A.1 in the annex shows, they all have in common that they rank relatively low in terms of the instruments applied by the EU to promote regional cooperation. Out of this group we can now select our 'low' case.

Now that we have established the 'low 'group according to our selection criterion, also other differences inside this group leap to the eye and can be considered for the selection. For example, it can be argued that the effectiveness of the EU in promoting its policy goals is likely to vary according to the leverage it has towards its counterparts. In light of the fact that the 'high' case is by all means very dependent on the EU[123], it seems sensible to choose one of the potentially less dependent cases in our 'low' group for the analysis. Arguably, the relationship between the EU and Mercosur is such a case. As opposed to for example most regional groupings in Africa, the Mercosur region is not highly dependent on EU development cooperation. Dependence on the EU as a trade partner is high, but this is a factor that applies to every case in our survey.[124] The EU-Mercosur relationship will thus be our 'low' case.

Having selected our 'low' and our 'high' case for the analysis, the remaining task is to identify the time frames during which the cases will be analysed. The EU-Mercosur case will be analysed in the time frame between 1992 and 2012 and the EU-Western Balkans case in the time frame between 1999 and 2012. These time frames cover periods in which major institutional changes took place in the two regions. As the analysis will concentrate on specific instances of institutional change, the bulk of the analysis will be focused on narrower points in time. The following section briefly selects the two fields that will be studied inside the EU-Western Balkans and EU-Mercosur relationships and presents the criteria for the selection of the individual cases within the fields.

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financial and technical resources from the EU. On the other hand, some specific (and limited) projects are increasingly being financed through the European Neighbourhood and Partnership Instrument (ENPI) (European Union 2012), thereby bringing together the Community and intergovernmental pillars.

[123] This strong dependence becomes obvious from the analysis of the scope conditions in chapter 7.1.

[124] The EU is the first or second most important trade partner to virtually every other trade actor in the world.

5.2.3 *Fields and cases*

Two fields that are characteristic targets of the EU's region-building efforts will be analysed inside each of the two regions. Inside these fields, specific cases of institutional change are studied, tracing whether and to what extent EU instruments had an influence. The purpose of this structure is to narrow down the analysis as much as possible to oversee other exogenous influences on regional cooperation.

The two fields have been selected taking into account the EU's own focus in its region-building policies and their relevance for the overall evolution of regional cooperation. One of the consistent traits across the different region-building policies pursued by the EU is the focus on market-building policies and on institutionalisation of new or existing cooperation initiatives. In addition to being in the focus of the EU, these two fields can be considered as being decisive for the overall development of regional cooperation. Both theoretical accounts of the development of regional integration and cooperation as well as large-N empirical analyses testify to this. This selection is reflected in the updated depiction of our case-study design that is presented below.

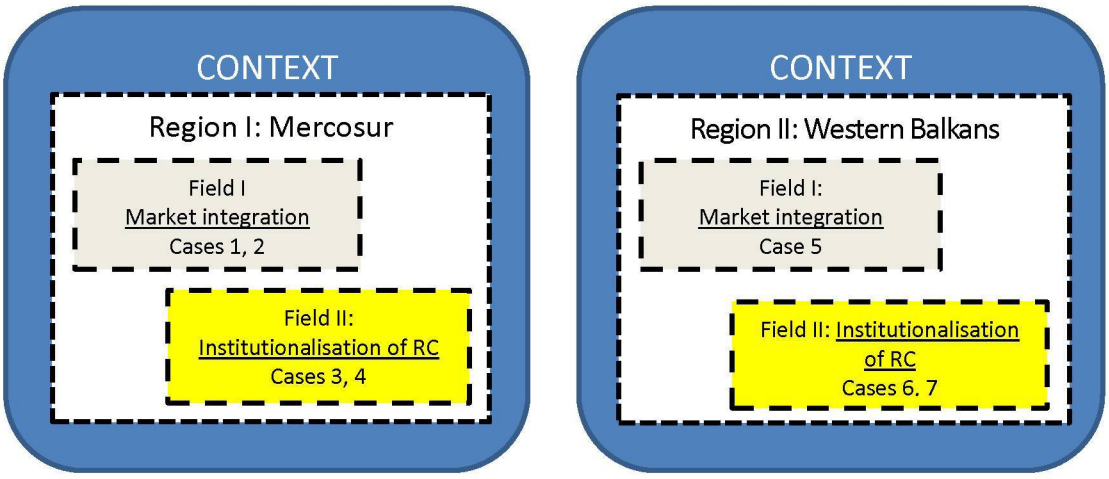

Figure 5.3: Visualisation of the case-study design: EU-Mercosur and EU-Western Balkans

The cases analysed inside the fields will be selected and presented in the respective case-study chapters. They are reflected in the figure above as 'Cases 1-7'. As the cases are more dependent on the idiosyncrasies of the respective regions and its relationship to the EU, this allows us to ground their selection in light of the respective context. In line with our

aspiration to replicate the same design for the EU-Western Balkans and the EU-Mercosur relationship, this selection will nonetheless be governed by four common criteria. First, we need to concentrate on cases in which institutional change has actually taken place. As convincingly discussed by Radaelli (2012: 5) with regard to Europeanisation studies, starting the study from the effect rather than from the alleged cause (EU influence, in our case) makes it easier to distinguish possible alternative explanations. Second, the cases have to be selected out of those individual instances of institutional change towards which the EU has applied its instruments to promote regional cooperation. Third, the cases shall be narrow enough so that external influences on institutional change, for example as a result of trade negotiations with other partners than the EU, can be identified and isolated. This is central to our research design as it allows us to identify the EU's specific influence on a given institutional change. Finally, while the cases need to be narrow enough, they also need to be still important enough to have the potential to influence the overall development of cooperation and integration in the studied region.

5.3 Methods of analysis

In line with our two-level case-study design, two methods of analysis will be used to test the hypotheses and answer the research questions. The bulk of the analysis will be conducted on a with-in case level using a process-tracing method. The results of this analysis will then be compared on a cross-case level using ordinal comparison with a view to assessing the order of magnitude and relevance of the hypothesised causal mechanisms. This sub-chapter justifies and explains the choice of these two methods of analysis.

Before introducing the two methods of analysis it is useful to clarify two implications that arise from an analysis that argues on two levels of aggregation and that are worth to be kept in mind when reading the remainder of this chapter. Firstly, it is important to note that process-tracing and ordinal comparison are two methods of analysis based on different understandings of causality. As process-tracing seeks to establish the links in a causal chain, it is based on a deterministic understanding of causality. This means that it identifies elements that are necessary and sufficient for our causal mechanism to be present (Gerring 2004: 349). In contrast, our cross-case analysis seeks to identify the comparative relevance of the different causal mechanisms once they have been identified. In order to make such an assessment, a method is needed that follows a probabilistic understanding of causality. This means that the analysis seeks to establish whether the

presence of a mechanism increases the likeliness of the EU having an impact on regional cooperation beyond its borders.[125] As highlighted by Beach and Pedersen (2013: 74–5), within-case analysis is about the absence or presence of an effect and cross-case analysis is about the magnitude of that effect. Secondly, it is worth highlighting that the combination of these two understandings provides important advantages especially when dealing with equifinality (George and Bennett 2005: 234) and because it reduces the effect of measurement errors on the conclusions of the analysis (Mahoney 2000: 402). This combination requires a clear separation of the two levels of analysis (Mahoney 2000: 408–9). In our study, this is done by first analysing the EU-Mercosur and EU-Western Balkans relationships on a single-case level and then using the results from these analyses as the basis for the cross-case analysis.

5.3.1 In-case analysis: process-tracing

On the level of with-in case analysis we are interested in testing for the explanatory value of our individual hypotheses. In practice, this means that we need a method that allows us to ascertain whether the hypothesised causal mechanism links our independent variables to our dependent variable. In line with our aim to add to the existent literature by empirically testing the EU's influence on regional cooperation beyond its borders, we are interested in a method that allows us to move from the analysis of correlation (as established by studies arguing from a macro-perspective) to causation. This precisely is the aim of process-tracing.

The logic and advantages of process-tracing

In essence, process-tracing methods aim to bridge the gap that exists regarding the mere correlation between an independent variable X and a dependent variable Y and an actual, verifiable influence of X on Y. They do so by testing for a causal mechanism derived from theoretical expectations that through a number of steps – or intervening variables – could explain how X influences Y (George and Bennett 2005: 205–32), i.e. they closely trace the process that could connect both variables. In consequence, process-tracing is commonly

[125] The general argument holds also in the opposite, negative direction, i.e. in the case in which stronger efforts by the EU would not increase, but decrease the impact on regional cooperation. The core of the argument is that independent and dependent variable are covariant.

defined as a method that "attempts to identify the intervening causal process - the causal chain and causal mechanism - between an independent variable (or variables) and the outcome of the dependent variable." (Bennett and Checkel 2015: 7; George and Bennett 2005: 137).

The concept of causal mechanisms stands at the centre of process-tracing and distinguishes it from other methods of analysis, such as a historical narrative. Speaking in abstract terms, a causal mechanism defines the intervening steps n_1 to n_n that link the two variables, forming a causal chain of the form: $X \rightarrow n_1 \rightarrow n_2 \rightarrow \cdots \rightarrow n_n \rightarrow Y$. In the context of our study, the hypothesized diffusion mechanisms are the templates for our causal mechanisms. Process-tracing then consists of uncovering evidence that confirms or disconfirms the steps that form this causal mechanism. This in principle parsimonious approach does obviously become more detailed as the complexity of the mechanism increases. As a consequence, an analysis based on process-tracing has to rely on a sufficient amount of data. On the positive side, this means that process-tracing can contribute to assess whether and how a certain potential influence has a real effect on an outcome, thereby neatly fitting with our research question *"how, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?"*

Beyond this more general argument, a further reason to choose process-tracing is rooted in our theoretical approach and in the topic of this study. As advanced in the theoretical chapter, the mechanistic nature of diffusion fits very well with the logic of causal mechanisms inherent to process-tracing.[126] This mechanistic nature allows us to minimise the risk of overlooking exogenous influences on the relationship between the EU and institutional change in counterpart regions. Such exogenous influences may include the USA, the role of other donors as the World Bank, the development of multilateral trade negotiations, and so forth. Due to the mechanistic nature of both diffusion and process-tracing, causality can be traced from one step of the (hypothesised) causal chain to the next. This makes it possible to trace potential paths of causality as closely as possible, thereby significantly reducing the risk of overlooking external influences.

The reasoning behind process-tracing follows from Bayesian logic, with the core argument derived from it being that specific evidence supporting a hypothesised

[126] Checkel makes this argument also on a more general basis by arguing that process-tracing is the method of choice for mechanistic theories in general (Checkel 2006: 366).

mechanism reduces the probability that alternative explanations hold true (Mahoney 2010: 128).[127] Or as put by Bennett, "[w]hat is important is [...] the likelihood of finding certain evidence if a theory is true versus the likelihood of finding this evidence if the alternative explanations are true" (Bennett 2006: 341). Process-tracing can be applied to different types of research. In accordance with these types, Beach and Pedersen distinguish three kinds of process-tracing: theory-building process-tracing aims at developing a theoretical explanation from the evidence of a specific case and explaining-outcome process-tracing starts from a specific result and tries to establish the reasons that led to this result. Finally, theory-testing process-tracing derives expected causal mechanisms from a theory and tests these causal mechanisms against a specific case (Beach and Pedersen 2013: 13–21). This last variety is the one used in this study to test the hypotheses developed in chapter 3.

Applying process-tracing in practice

The metaphors of a criminal investigation and detective work are recurrent in descriptions of process-tracing (Bennett and Checkel 2015: 22; Mahoney 2010: 130; Beach and Pedersen 2011: passim; Bennett 2006: 341). This comes as no surprise as both process-tracing and criminal investigations rely on finding specific pieces of evidence that either confirm or disconfirm the existence of a hypothesised explanation. Like in an investigation, the probability that a hypothesis is valid increases with the weight and number of evidence pointing in its direction.[128] Following this logic, the first step in process-tracing is to delineate a causal mechanism based on the hypothesis we want to test for. The causal mechanism links our independent and dependent variables and describes the evidence that would point at its presence.

The second step consists in finding and assessing the evidence that would confirm (or disconfirm) the presence of our causal mechanism. While pieces of evidence differ in their confirmatory strength, three types of evidence can be distinguished according to their role in process-tracing. Firstly, the simplest type of evidence is that which confirms the existence of our dependent and independent variables (Mahoney 2010: 125–7). Such evidence can assume many forms. In the context of our research, it can for example consist

[127] For a detailed discussion of the Bayesian logic underpinning process-tracing methods see Beach and Pedersen(2013: 76–88).
[129] See pages 17f. on the 'plenitude' criterion.

in documents and interviews confirming the existence of EU instruments to promote regional cooperation or in documents reflecting institutional change. Secondly, so-called 'sequence evidence' allows us to gain information about the order, timing and functioning of an alleged process or causal mechanism (Beach and Pedersen 2013: 178). For instance, documents describing operating procedures, the accounts of interviewees, but also secondary literature, can provide such evidence. Lastly, mechanism or trace evidence is the most important type of evidence in process-tracing. This type of evidence is the one that confirms (or disconfirms) the existence of the hypothesized steps of a causal mechanism (Mahoney 2010: 128–9; Beach and Pedersen 2013: 178). Such evidence is easiest to gain from documents produced as part of our alleged causal mechanism and from interviews with directly involved policy-makers. Not all steps of a causal mechanism produce evidence that can be directly observed. It may therefore be necessary to resort to proxies (Checkel 2006: 367; Panke 2012: 130; Beach and Pedersen 2011: 142–7). For example, a study commissioned by policy-makers to weigh between two policy options and outline their advantages and disadvantages is a strong indicator (more specifically: trace evidence) that a process of rational assessment has taken place. Still, in the framework of process-tracing, observations only become evidence when combined with contextual knowledge (Falleti and Lynch 2009: 1151–8; Beach and Pedersen 2013: 125–32). In terms of our previous example, the study is an indicator of a rational assessment unless we know that it was commissioned to create the impression that a previously taken decision followed rational arguments.

Using this process-tracing method we can reach two types of results. We will either be able to establish which of the hypothesised mechanisms were relevant for the individual instances of institutional change that we analyse. Or we will find that none of the hypothesised mechanisms had a traceable influence on institutional change. Taking into account that the mechanisms aim at covering the broadest range of paths of influence between the EU and its counterparts, this latter result would cast serious doubt on claims that the EU is effective in promoting regional cooperation – at least so in the case studied.

5.3.2 Cross-case analysis: ordinal comparison

To reach results also across the individual cases studied, the results of the within-case analysis will be compared to each other. This will be done by assessing the predominance of the hypotheses in each of the two regions and by putting this predominance in relation with the scope conditions and the context of the EU's relationship with the respective

counterpart. This will allow us to address the "under what conditions" element of our research question. Assessing the predominance of a mechanism requires a different understanding of causality than the deterministic understanding on which process-tracing is based. As convincingly argued in the literature (Mahoney 2010: 131; George and Bennett 2005: 13; Beach and Pedersen 2013: 69–70), process-tracing is not suitable for such an analysis because it focuses on within-case inferences and because its deterministic understanding of causality relies on establishing the presence or absence of an explanatory element, not its magnitude. While there are also deterministic methods of comparison, these are not suited for our study as they do not allow to assess explanations that are not mutually exclusive (Mahoney 2000: 390). As discussed in the theoretical chapter, there are good reasons to expect that EU impact on regional cooperation is not a monocausal phenomenon.[129]

For these reasons, our cross-case assessment needs to be based on a probabilistic understanding of causality. According to this understanding, the likelihood that our dependent variable changes increases with a higher value of our independent variable (Gerring 2004: 349). This understanding is comparable to that of statistical analyses and allows assessing the relative importance of different explanations. Ordinal comparison follows such an understanding. It ranks the cases into categories based on the degree to which a phenomenon is present (Mahoney 2000: 389). In our case, the phenomena along which we rank our cases are the different diffusion mechanisms. As a result of this analysis we will be able to assess whether the stronger presence of certain mechanisms relates to a stronger EU effect on regional cooperation beyond its borders and how these mechanisms relate with the present scope conditions, including the power asymmetries between the EU and its counterpart region.

5.4 Data sources

Having outlined the process-tracing and the comparison methods that will be used for the empirical analysis, we can now move to the sources from which we will retrieve the data for our study. Documents and information generated through interviews with policy-makers will be the two main data sources for the analysis.

[129] See pages 17f. on the 'plenitude' criterion.

This choice follows from our research questions and from the theoretical expectations developed in chapter 3. Furthermore, these two types of data sources are well-suited for the process-tracing method used. To answer our research questions we need data that reflects the values of the dependent and independent variables and data that sheds light on the existence of the hypothesised causal mechanisms, i.e. on the process connecting the two variables. While data for the values of the dependent and independent variables can be collected to a large extent from written sources, our causal mechanisms do not just refer to the mere existence of specific processes, but also to the motivations and incentives driving them. In this case it is advisable to rely not only on written material, but also on interviews with decision-makers. The interviews allow us to delve deeper into the decision-making processes and to uncover the spur behind specific decisions. Furthermore, they make it possible to target the blind spots left by the document analysis. While policy-making documents tend to reflect the outcome of specific decision-making steps, the interviews will fill the gaps in between, shedding light on preparatory steps. As the interviews allow to directly query the interviewee for the alternatives he or she confronted, they permit to investigate the alternatives and considerations that led to a certain result. Both types of data and the criteria to select the material are presented in turn.

5.4.1 Document analysis

Documents are the first source of information used for this study and are supposed to fulfil four main purposes. Firstly, documents are used to reflect the variation of our independent and dependent variables, for instance to identify the instruments used by the EU to support regional cooperation. Secondly, documents from governments and institutions reflect the course of decision-making and implementation processes. They serve as so-called "sequence evidence" (Beach and Pedersen 2013: 141), providing the skeleton for our process-tracing. Thirdly, documents are used to uncover the preferences and incentives of decision-makers in pursuing a specific decision instead of other alternatives. However, the utility of documents in reflecting this kind of information is limited and, for this purpose, they will be complemented by interview material. Finally, documents, and here-in mostly academic and expert literature, are used to assess the context and the scope conditions surrounding our two cases and the instances analysed.

Types of documents

These requirements result in three types of documents that are relevant to our study. Policy-making documents from the EU, its counterpart organisations and their member-state governments are the first and predominant source of documentary information. This includes speeches, policy strategies from the EEAS, or reports from organisations supported by the EU in the two regions studied, etc. Reports and evaluations from specialised contractors, as agencies evaluating the effectiveness of EU technical assistance, also belong to this first category. They are especially useful when analysing the role of development and technical assistance projects, which are most often carried out by external actors. A second group of documents reflects the basic norms and rules of regional cooperation and integration. Treaties, rules of procedure or protocols belong to this category. They are often the outcome of policy-making processes on which the alleged impact of diffusion will be assessed. These first two types of documents are the account of eyewitnesses, or primary sources, i.e. documents that were produced by the actors studied at the time of the diffusion processes under study (Beach and Pedersen 2013: 131). The third and last category is formed by the already mentioned academic and expert writings. They complement the primary sources and serve to set the stage for the analysis. These secondary sources include purely academic studies, policy-oriented works and also press articles.

These documents are collected from several sources. The vast majority of the documents are acquired from the institutions studied and the actors involved in them (e.g. member states). Most of the documents have been gathered from public sources. These include the websites and databases of the studied organisations, governments, interest groups or external contractors as well as printed publications. In addition, non-public documents such as internal decision-making documents or policy evaluations were also used. These where obtained either from the interviewees or other experts or, in the case of the EU institutions, requested on the basis of regulation 1049/2001 on public access to documents (European Parliament and Council of the European Union 2001). In addition, some documents were obtained from sets leaked from the involved institutions, e.g. the

Brazilian foreign ministry.[130] In line with the process-tracing method used for the research, the selection of the documents followed a purposive sampling technique (Beach and Pedersen 2013, manuscript: 160): those documents were consulted that could shed light on the individual decision-making and hypothesised diffusion steps. The table below presents a brief overview of the types of documents that were consulted for the two case regions. They are referenced in detail in the respective chapters.

EU-Mercosur documents
○ Agreements between the EU and Mercosur (Framework Agreement, Memoranda of Understanding) ○ Documents from the Mercosur institutions (Council of the Common Market, Secretariat, Parliament, etc.) ○ Mercosur member state governments ○ Speeches ○ Commission (former DG RELEX, DG TRADE and DG DEVCO), EEAS and Council Secretariat documents on EU-Mercosur relations. ○ Reports and evaluations from external contractors involved in technical assistance and development cooperation ○ Academic and policy-oriented studies
EU-Western Balkans documents
○ SAP documents: Stabilisation and Association Agreements, progress reports, meeting documents, communications of the involved Western Balkans governments on the negotiations ○ Stability Pact documents: Regional Table documents and documents from the Working Table II on Economic matters ○ RCC documents: annual Working Programmes, documents on specific initiatives ○ Speeches ○ EEAS and DG ELARG documents on national / regional strategies and on regional cooperation ○ Documents from the Council Secretariat (especially DG C, formerly E, and COWEB working party) ○ Reports and evaluations from external contractors involved in technical assistance and development cooperation ○ Academic and policy-oriented studies

Table 5.1: Documents consulted for the two regions

5.4.2 Interviews

Most available documents shed light on publicised policy priorities and on the processes by which these policies are decided upon and implemented. But uncovering the motivations and incentives behind the actions of policy-makers and the traces of the causal mechanisms

[130] Occasionally, this meant that documents where partly blackened out (in the case of non-public documents requested to the EU institutions). And in the case of leaked documents or those obtained from interviewees and experts, it cannot be excluded with certainty that these may have been modified. In light of the additional information and validity gained from these documents, it seemed though reasonable to accept this risk.

will often require data from additional sources. Interviews are a helpful source to gain this kind of information as they ideally allow revealing not just the outcome of decisions, but also the alternatives among which policy-makers had to choose, the constraints and opportunities they were confronted with and the competing influences they were subject to. Interviews with policy-making elites are therefore a central source of empirical data for this thesis.

More specifically, the interview data shall fulfil the following goals. As explained above, its main objective is to uncover the motivations, preferences and intentions of the institutions and actors involved in alleged diffusion processes. A second, closely related, objective is to directly test the hypotheses developed in our theoretical framework. Interviews open up a much better opportunity to do this than documents because they generate new data specifically tailored to our research interest and purposes. It is therefore possible to directly ask interviewees for the influences they were subject to when pursuing a certain institutional change and to test for our five causal mechanisms and hypotheses (Leech 2002: 665), in most cases directly or sometimes by asking for traces for these mechanisms. This opens up a third possibility, which is also an important goal of the interviews. As the interviews allow us to generate new, more profound data than documents, they also allow us to better deal with the already mentioned issue of equifinality. In contrast to documentary analysis, questioning policy-makers allows us to query for alternative explanations and gauge their relative explanatory value.

Selecting the interviewees

To achieve these goals the selection of the interviewees is of central importance. Generally speaking, three groups of interviewees come into question. Officials and other actors from the EU side are especially suited to survey the intentions and methods by which the EU encourages regional cooperation. Actors from the EU's counterpart organisations and from the respective governments are essential for the analysis, especially taking into account our focus on spotting the EU's specific impact on others. These are the actors whose motivations, preferences and intentions need to be analysed most closely. In selecting the groups of actors that will be interviewed, the decision-making and policy implementation routines of the analysed organisations play a central role. In the case of the EU, several of

the analysed policy-fields belong to the EU's exclusive or parallel competences and its bureaucracy is directly involved also in those areas pertaining to the realm of foreign affairs.[131] This allows concentrating on EU officials as interview partners. In contrast, decision-making in the organisations studied on the side of the EU's partners is almost always purely intergovernmental and the bureaucracies of the regional organisations tend to have only a limited – if any – influence on decision-making. In these cases it is therefore necessary to concentrate on national decision-makers.[132] Finally, a third group of interviewees are those external actors closely involved in the hypothesised diffusion processes. Consultants, academics and employees of other international organisations belong into this category. These three groups are interviewed on the same processes and events in order to triangulate the information obtained. In addition, a number of interviewees were selected because of their general knowledge of the cases studied, even if they were not directly involved in the processes studied. These interviews served to gather contextual information, to gain access to other interviewees and to triangulate the information retrieved from documents and other interviews.

To select the individual interviewees, again a purposive sampling is the best approach. Random sampling is not advisable neither in combination with the diffusion approach adopted nor with the process-tracing method that will be used for the analysis (for a discussion of the latter see Tansey 2007: 768–9). Our interest lies on highly specific events and actors, i.e. on a policy-specific elite that has first-hand information on the studied processes. Hence, the decisive criterion for the selection of interviewees is their direct involvement in the studied instances of institutional diffusion. Once a solid understanding of the cases has been achieved, identifying these individuals is in principle not too difficult a task. The sources used to identify interviewees were organisational charts of institutions to find the individuals hierarchically responsible for the areas into which alleged diffusion processes fall, meeting documents as well as policy-documents or reports, provided that they stated the names of the authors.

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[131] The common commercial policy under which trade negotiations are conducted is an exclusive competence of the EU (TFEU 2012b: 3), development cooperation is defined as a parallel competence in which both the EU and its member states may act (TFEU 2012b: 4). Technical assistance and financial disbursements in the context of enlargement policy are governed by the EU's competence to cooperate with non-developing states, also defined as a competence in which both the EU and member states shall complement each other (TFEU 2012b: 212).

[132] As will be reflected in the case studies, the interviews concentrated on representatives of those member states deemed the most decisive ones in each of the cases.

In addition to these sources, each interview also included questions querying the interviewee for the involvement of other institutions and specific persons in the studied diffusion processes. This added a chain-referral sampling to the purposive sampling. In the context of elite-interviewing, this combination is indicated for several reasons. Most importantly, the chain-referral allowed reducing the risk of not interviewing important actors because of a too strong orientation on formal criteria of hierarchical responsibility. In theory, chain-referral bears a risk of reinforcing already presumed conclusions, as interviewees may be prone to recommend interlocutors that share their views. While this risk seems controllable in a small population, it was also minimised in practice by not asking just whom the interviewee would recommend to speak to, but also who played an important and/or antagonistic role in the process. In general, the impression of the author is that interviewees even had a stronger tendency to refer to actors that did not share their own position than to those with similar views. A second reason in favour of including chain-referral sampling lies in the nature of the groups interviewed: relatively sealed-off policy-making elites. In such groups, gaining access to one person often depends on being able to refer to common acquaintances. Especially in cases in which interviewees had changed positions as a result of rotation or in which no organigrammes or meeting documents could be found, this approach still allowed to identify individuals that had been involved during the time of the alleged diffusion processes. Generally speaking, this combination of sampling methods led to a positive result and only few interview partners sought after rejected to be interviewed.

Western Balkans interviews
○ EU officials in the former Commission DG RELEX, DG ELARG and DG TRADE, in the EEAS, in EU Delegations in Belgrade, Zagreb, former Stability Pact officials.
○ Actors from the Western Balkans: representations in Brussels, Trade ministries, Ministries of Foreign Affairs / European Integration of Serbia and Croatia
○ CEFTA 2006 (Central European Free Trade Agreement) officials in Brussels
Mercosur interviews
○ EU officials, relevant desk officers ex DG RELEX/EEAS, DG TRADE AND DEVCO, delegation in Uruguay (seat of Mercosur)
○ Mercosur secretariat, officials from Brazil and Argentinean in MFAs and in embassies in Montevideo, and diplomats at the representations in Brussels.

Table 5.2: Interviewees consulted for the analysis (overview)

Conducting the interviews

The interviews were conducted on the basis of semi-structured questionnaires with open-ended questions.[133] This was deemed the best way of achieving the aim of tracing the alleged diffusion processes – requiring specific questions testing for them – while leaving enough room for the interviewees to provide information beyond the theoretical expectations of the author. This reduced the risk of predetermining specific mechanisms and helps to detect the existence of overseen explanations (Gläser and Laudel 2008: 131–2).[134] The core of the interviews was therefore formed by questions addressing the existence of the causal mechanisms. Introductory questions asked the interviewee for his professional experience and for the specific positions and time frames in which he dealt with the instances under study. This allowed assessing whether there were any blind spots in the evidence obtained. In cases in which the interviewees could not remember the specific timing of certain actions, these first questions made it also possible to ascribe them more precisely, thereby making the process-tracing more accurate. A concluding section in the questionnaire asked for further contacts and information sources.

The overwhelming majority of the interviews were conducted in person. While a few interviews conducted on the phone were repeatedly postponed by the interviewee, this did never occur for scheduled conversations in direct conversations. Being present also created a more comfortable atmosphere for the interviewee, which in turn made it easier to gain more profound information and to obtain the referral to other potential interviewees. Occasionally, interviewees provided confidential documents which they would have probably not sent via e-mail. In addition to these advantages, conducting the interviews in person also allowed for longer conversations, with the average duration being approximately one hour. In total, 78 interviews were conducted between May 2011 and December 2013 in Brussels, Buenos Aires, Montevideo, Brasília, Zagreb, Belgrade and

[133] A semi-structured questionnaire lists the questions to be asked but does not prejudge the order in which the questions are asked nor does it offer a pre-set list of replies among which the interviewee would chose. Such a questionnaire allows the interviewee to point at issues that have not been asked and the interviewer to pose ad hoc-questions to elaborate on individual points (Gläser and Laudel 2008: 41–2).

[134] In fact, Europeanisation-inspired research designs have been criticised for being "vulnerable to prejudging the EU's impact and assuming that if change occurs [...] then this must be a case of Europeanisation at work" (Taylor *et al.* 2013: 29–30). Radaelli(2012: 5) argues in the same vein, based on an extensive review of Europeanisation articles. The same risk pertains to process-tracing, which as a result of its micro-focus may overlook latent, structural causes (Bennett and Checkel 2015: 28). In this context, leaving room for alternative explanations becomes most important.

Sarajevo and over the phone. To make the interview less burdensome for the interviewee, the conversation was conducted in his or her preferred language whenever possible, meaning that interviews were conducted in English, Spanish and German. This approach was considered to be the most adequate to gain the most direct and unconstructed responses possible.

In order to gain as much and as sincere information as possible, all interviewees were offered anonymity. Approximately two thirds of them requested this. Their grounds for requesting anonymity ranged from concerns of being identifiable in a small community of policy-makers, being bound to an official authorisation to give public interviews or the frank statement that answers would differ if the interview was not anonymous. Since the high percentage of anonymous responses implies that the non-anonymous respondents would stand out disproportionately, it was decided to keep all interviewees anonymous and to identify them only by the denomination of their position.[135] The list of all the interviews conducted for this study and the respective codes under which they are cited in the text can be found in annex B. Almost all interviewees were asked whether the conversation with them could be taped. As a result, more than half of the interviews were recorded. In cases in which recording was rejected by the interviewee, notes were taken and a record was written down within hours of the conversation. Interview documentation remains on file with the author.

Conclusion

This chapter has laid out the methodological foundations of this thesis. The first section of this chapter has argued in favour of pursing a case-study research that combines within-case and cross-case analysis. Several arguments speak in favour of this decision. First of all, our interest in determining whether there is a real effect of the EU on regional cooperation beyond its own borders implied that we are interested not in mere correlation, but in causality. Together with the expectation that several of the hypothesised mechanisms may work at the same time, i.e. that we may encounter equifinality, this argument speaks in favour of case studies that allow delving deep into the studied processes. But, secondly, we

[135] A few interviewees refused to be ascribed to a specific position or even institution as this would make it easy to identify them. This resulted in denominations such as 'senior EU official' when a more specific one was rejected.

are also interested in reaching conclusions that hold beyond the individual cases. This calls for a cross-case analysis, which also comes with further advantages in terms of increasing the reliability and transparency, and thus replicability, of the research.

Therefore, the analysis will proceed in two steps. In a first step, the research design is replicated on seven cases from two regions to assess the existence of our hypothesised causal mechanisms. A central element to this first step is the division of the analysis in several layers, moving from the context and scope conditions to the study of very specific and narrow cases of diffusion in two fields that are typical to the EU's efforts in promoting regional cooperation: institution-building and the creation of regional markets. This approach serves to avoid that external factors such as the influence of other actors than the EU passes unnoticed. For the second step, the results of the case studies are then compared across the two regions to assess the relative relevance of the mechanisms and to put them in relation with the scope conditions of the two relationships studied.

The two relationships for our analysis are the one between the EU and the Western Balkans region and the Mercosur region respectively. These two relationships were selected out of a population of 31 cases following the diverse-case selection technique. This technique aims to select a representative sample while still allowing for an intensive analysis within the selected cases. It does so by choosing cases that represent a high degree of variation on the independent variable, in our case 'Use of EU instruments to promote regional cooperation'. While the Western Balkans region is the one in which the EU has applied virtually all of its available foreign policy-instruments including high-level diplomatic relations and the CSDP, the Mercosur region is dealt with mostly from a trade and (development) cooperation perspective.

In line with the two steps in our case-study research design, also two methods of analysis will be applied – process-tracing for the within-case analysis and ordinal comparison for the cross-case analysis. Process-tracing will allow us to establish the presence or absence of the hypothesised causal mechanisms in our individual cases and regions. This part of the analysis focuses on addressing the 'how' and the 'what extent' elements of our research question. The results of this analysis will then be compared using ordinal comparison, i.e. ranking the cases along the prevalence of the different causal mechanisms. This information will then be put in relation with the EU's impact on regional

cooperation and with the scope conditions, allowing us to assess the 'under what conditions' part of our research question.

This analysis will be performed using two types of data. On one hand, documents that reflect the policy-making processes in the EU and the reaction from its interlocutors. Such documents include speeches, policy strategies from the EEAS, or reports from organisations supported by the EU in our two case-study regions, as well as non-public policy documents. The documents serve mainly to assess the variation of our two variables and to provide information on the sequence of the diffusion processes studied with our process-tracing method. As most documents do not provide information on the motivations and incentives of the actors involved, interviews with policy-making elites are the second source of data for our analysis. In order to assess whether and how EU policies and choices affected decisions on institutional change in the regions studied, the majority of the interviews were conducted with policy-makers from the governments and organisations of the studied regions in Buenos Aires, Brasília, Montevideo, Belgrade, Zagreb and Sarajevo between 2011 and 2013.

Together with the two preceding chapters, this methodology chapter has presented the analytical tools that will now be used to inquire on the impact of the EU on regional cooperation beyond its borders.

Part III Tracing EU Impact on Regional Cooperation

6 Empirics I: EU-Mercosur

The EU's relationship with Mercosur is among the most long-standing with any regional organisation. It started in 1991 with high expectations on both sides. The then European Communities perceived the newly-founded Mercosur as an eager pupil keen to adapt the European integration experience to Latin America's Southern Cone – and were prompt in supporting these efforts. For Mercosur, building a common market with aspirations for close political cooperation was high on the agenda in the first years of its existence. Despite this promising start, the relationship has ever since been heavily influenced by the tedious negotiations about a bi-regional trade agreement. In a process that resembles an on-off romance, negotiations began in 1999 on the basis of already disputed negotiation directives (Latin America Working Party of the Council 1999), were suspended in 2004 and have been taken up again in 2010, with an exchange of market access offers having taken place in May 2016 (Commission 2016b; Commission 2016d).[136]

At the time of its creation, Mercosur had set itself very ambitious goals. It aimed to become a customs union by January 1st 1995, just three years after its founding. To put this goal into perspective, it is helpful to remember that the same process took the EU 11 years – from the signing of the Treaties of Rome in 1957 to the setup of a yet incomplete customs union in 1968. Nowadays, having celebrated its 25th anniversary in 2016, Mercosur can be considered, at best, an 'imperfect customs union', characterised by a growing number of exceptions to its common external tariff. Mercosur's emergence and its ambition fitted well into the existing relations between the European Community and Latin America – where the EC had agreements in place with the Andean Pact formed by Bolivia, Colombia, Ecuador, Peru and (at that time) Venezuela as well as the regular political 'San José dialogue' with the Central American states. At the same time, expanding the relationship with Mercosur did not only satisfy a sense of cultural and institutional kinship but could be understood as part of a broader balancing game in which the EU aimed to increase its influence in a world that was perceived as becoming increasingly dominated by the US (see for example Grabendorff 2005).

[136] The recently acceded Venezuela does not take part in the trade negotiations (Commission 2016c).

From its very outset, promoting Mercosur's further integration was the crux of its relationship with the EU. Right after Mercosur's founding in 1991, the EU put together a programme to support Mercosur's rotating presidencies and the organisation's nascent secretariat with experts and funding, aiming to contribute to its institutional consolidation [Consejo del Mercado Común del Sur, Comisión de las Comunidades Europeas 1995 (1992); #13, former Commission official at the Delegation to Uruguay]. This first agreement sets the tone which was later continued in further programmes, a so-called interregional framework cooperation agreement (IFCA 1996) and the Commission's strategic guidelines for its relationship with Mercosur, regularly published and updated in the years that followed (e.g. Commission 1994).

This chapter will answer our two first sub-research questions for the EU's relationship with Mercosur: '*what instruments does the EU employ to promote regional cooperation?*' and '*to what extent is the EU able to influence the emergence and development of regional cooperation?*'[137] The chapter begins by presenting the context of the EU-Mercosur relationship and assessing two of the three scope conditions set out in the theoretical framework: degrees of statehood and power asymmetries (sub-chapter 6.1).[138] The ensuing sub-chapter 6.2 answers the first of our three sub-questions for the Mercosur region: *'What instruments does the EU employ to promote regional cooperation?'* It shows that the focus of the EU's efforts in encouraging integration in the region lay on two fields: market integration and the further institutionalisation of Mercosur. On this basis, four case studies are selected – two for each field. The two ensuing sub-chapters (6.3 and 6.4) are then devoted to the analysis of the case studies. Through process-tracing the analysis shows whether and how the EU's efforts to encourage regional integration in the Mercosur region resonated locally and were successful. The final sub-chapter brings the analysis of the EU-Mercosur relationship to a close by drawing conclusions across the four cases studied in this chapter. The figure below shows the structure of the study for the EU-Mercosur relationship.

[137] The third sub-question is answered in the cross-case analysis. It draws from variation in the scope conditions, which are depending on each region.

[138] As mentioned in section 3.4 (p. 72f.) above, these two scope conditions pertain to the respective states' history and political and economic development and are thus likely to remain stable over the time frame and the case studies analysed. They can therefore be analysed for all the case studies in a region. Instead, the scope condition 'domestic incentives' is more time-sensitive and will therefore be analysed in the individual case studies.

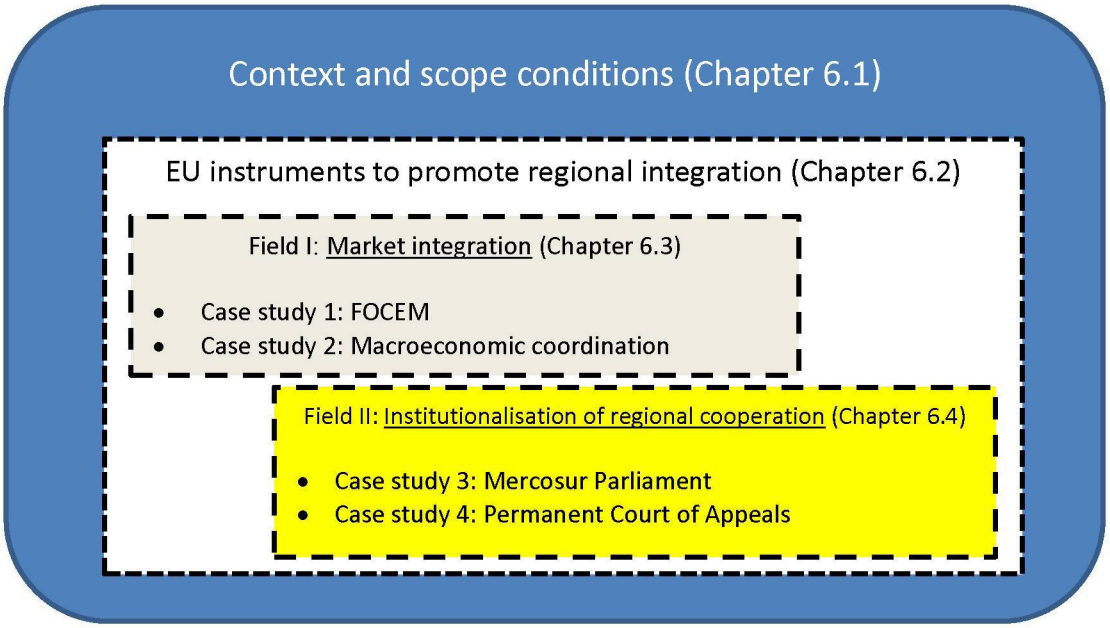

Figure 6.1: Overview of the study EU-Mercosur

6.1 Context and scope conditions

Despite its early aspirations to develop into a similar political construct to the then EC and now EU, Mercosur bears important differences to its European counterpart. It is characterised by immense discrepancies in economic and population size of its member states and differences are also deeply rooted in their history and political development. The following paragraphs will analyse the context for regional cooperation in the Southern Cone and will thereby also serve to assess two of the scope conditions presumed to influence the role of our causal mechanisms: the degree of statehood in the Mercosur region and the possible power asymmetries between both regions, namely, the EU and Mercosur.

6.1.1 Regional cooperation between integration and the prevalence of national sovereignty – degrees of statehood

The Mercosur states are extremely diverse in terms of economic potency and population size, ranging from the minute Paraguay to the colossal Brazil, a state which has developed into one of the world's largest economies over the last decade and boasts an economy three times the size of that of Argentina and 65 times that of Paraguay.[139] These

[139] The size differences would be even larger when comparing nominal GDP data. In order to accommodate for changing inflation, purchasing power parity data is used.

differences, which are shown in more detail in the figures below, do naturally affect the development of Mercosur and must be taken into account when assessing institutional and policy choices in the region.

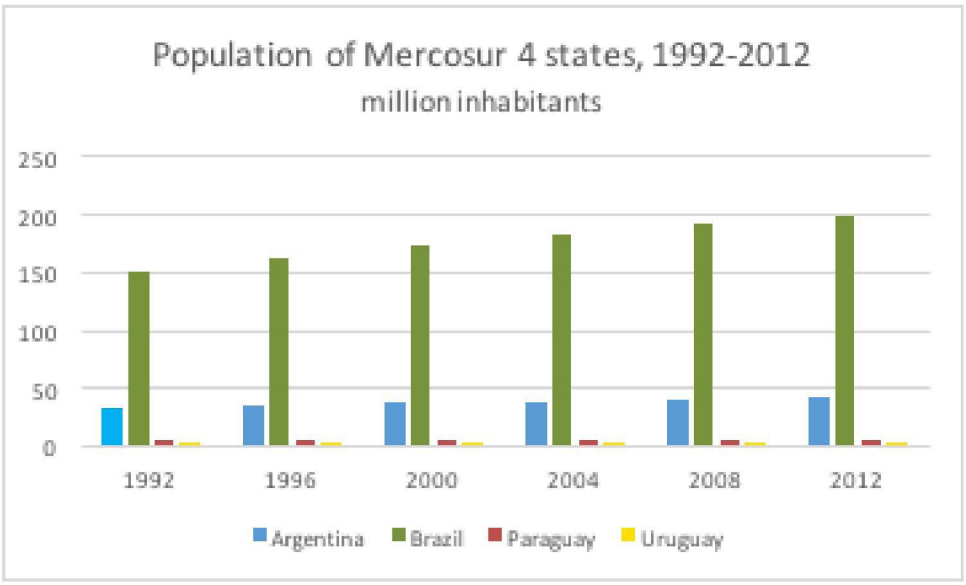

Figure 6.2: Population of the four analysed Mercosur states

Source: International Monetary Fund(2016)

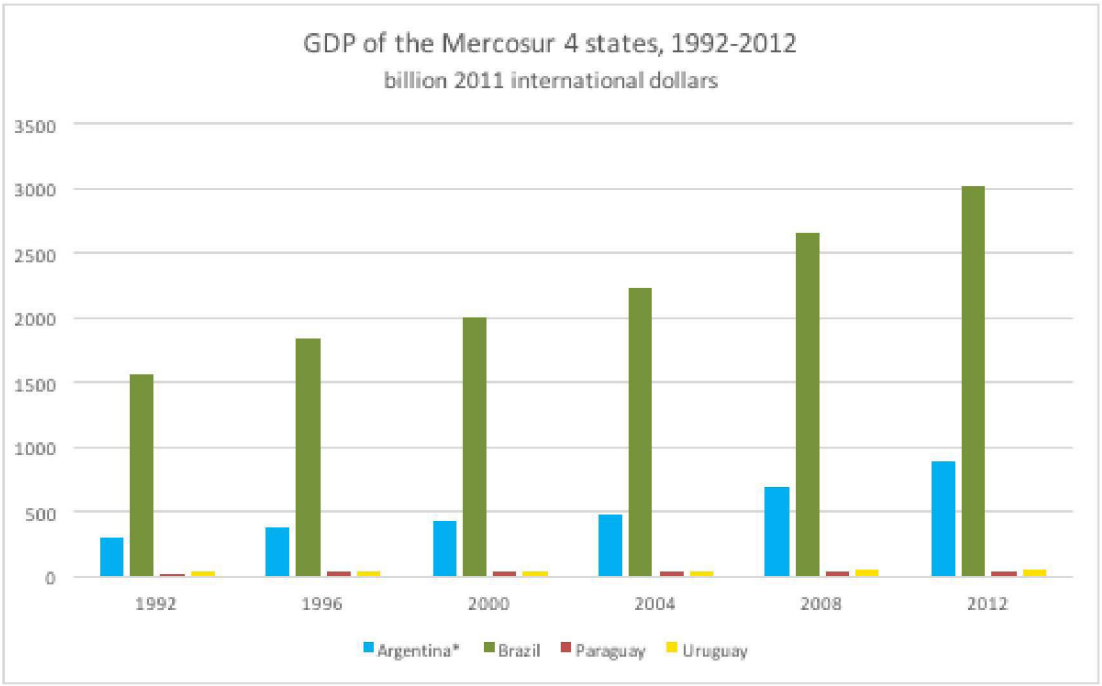

Figure 6.3: GDP of the analysed Mercosur states

GDP in 2011 international dollars (PPP), for Argentina: GDP in current international dollars (PPP) Sources:

World Bank(2016), for Argentina: International Monetary Fund(2016) * The World Bank did not report data on Argentina until inflation numbers for the country were recalculated, therefore the data for Argentina is taken from the IMF (and based on current prices). As a background on Argentinean inflation data see for example: The Economist [H.C.](2014).

History has reserved a prominent role for regional cooperation and integration in most Latin American states, also in the case of those making up Mercosur. The shared experience of resisting and ultimately fighting Spanish colonial rule in the first half of the nineteenth century helped in establishing a common identity, which leaders still make reference to nowadays when defending the virtues of regional cooperation (Carvalho 2005: 172–7; Domínguez 2007: 86–7) and even the military regimes of Argentina and Brazil cooperated regularly with each other – despite being at enmity (Domínguez 2007: 97–9). Also in Brazil, where independence from Portugal was achieved through a peaceful transition, regional cooperation is positively connoted, up to the extent of being enshrined in the Brazilian constitution as one of the fundamental principles of the state:

> "A República Federativa do Brasil buscará a integração econômica, política, social e cultural dos povos da América Latina, visando à formação de uma comunidade latino-americana de nações." (República Federativa do Brasil 1988: 4)[140]

Building on these foundations, numerous regional integration initiatives have spread in the region, both with sub-regional and with continental scope all over (Latin) America.[141]

The excerpt of the Brazilian constitution above and its mention of a 'community of *nations'* highlights a characteristic that is key to understanding the development of regional cooperation and integration in Latin America and the Southern Cone more specifically. While cooperation between the states in the region is a principle that enjoys an almost unlimited positive connotation, the concept of the 'nation' and its 'sovereignty' is paramount in the national political cultures (see for example Almeida 2013). Certainly a result of the relatively long periods under foreign rule, Latin American states show great attachment to their national sovereignty and guard it jealously. This trait is clearly reflected in the presidential structure of their political systems, which provides presidents with a large degree of autonomy in their decision-making, even more so in the realm of foreign

[140] "The Federative Republic of Brazil shall seek the economic, political, social, and cultural integration of the Latin American peoples, with the goal of creating a Latin-American community of nations." [own translation, M.H.S.].

[141] Valls Pereira (1999: 8–9) and Malamud (2010: 637–43) provide overviews and trace the origins of Latin American regional integration back to the 1940s.

policy (Malamud 2010: 651).[142] It coincides with a political culture in which personalisation and the attribution of specific decisions to the directly-elected presidents play an important role both in political communication and the perception of citizens and even government bureaucrats. The latter was also confirmed in many of the interviews conducted by the author, in which formulations such as "we did this because Lula wanted" or the like were common [e.g. #19, former senior official Mercosur Parliamentary Commission / Mercosur Parliament; #10, Argentinean representation to the EU].

In consequence, we find ourselves in a region that is, on one hand, inclined to express strong rhetorical praise and display political willingness to cooperate regionally, while on the other, remains fiercely attached to national sovereignty and has political systems in which decision-making power is concentrated in the presidential executives. In terms of the social aspect of our scope condition 'degrees of statehood', it seems reasonable to view the Mercosur region as one in which the preservation of national sovereignty is deemed primordial. This is likely to slow down or even hinder attempts of pursuing regional integration if these imply a delegation of decision-making power to institutions above the state – and even more if they risk placing authority further away from the respective presidents. Consequently, this situation will likely conflict with the EU's preferred recipe for integration and its focus on strengthening the role of regional institutions. While this context does not prevent the delegation of power entirely, it makes it more likely that such delegation will be limited in scope, linked to special moments or 'critical junctures' (Collier and Collier 1991: 29–31), communicated as a (personal) act of the presidents of the Mercosur member states and oriented towards protecting (national) sovereignty against its erosion. In sum, delegation of decision-making power is much more likely to be either symbolic or communicated and perceived as a '*saut qualitatif*' than as a process of 'managerial politics' (Hoffmann 1966)[143], driven mainly by a bureaucratic or issue-focused logic – different to what one can often witness in the EU. In line with these expectations, the development of Mercosur has regularly been portrayed as hinging on the action (and inaction) of the presidents of its member states (Malamud 2005; 2015; Hummel

[142] See Linz(1990), the comparative articles in Mainwaring and Shugart(1997), and Shugart and Carey(1992) for the seminal assessments of the main traits and characteristics of (Latin American) presidential systems and Elgie(2005) for a nuanced continuation of the debate.

[143] Nowadays termed 'low politics'. Stanley Hoffmann does not define 'low politics' in his 1966 article, but distinguishes what he calls 'high politics' (i.e. matters "beyond the purely internal economic problems of little impact or dependence on the external relationship to the U.S., Hoffmann 1966: 874) from "managerial" (1966: 884) or "welfare" (1966: 901) politics.

and Lohaus 2012). This perception also influences how Mercosur is seen by the EU and its member states, which shape their expectations depending on the presumed preferences of Mercosur presidents (e.g. German Permanent Representation to the EU 2016a). This assessment has focused on the elements of our scope condition that pertain to a social ontology. Beyond this, statehood in a more traditional, material, understanding may also have a strong influence on the ability and willingness of a government to react to external influences to encourage regional cooperation and integration.

This understanding of statehood can be defined as the degree to which the state is able to "adopt, implement, and enforce decisions" (Börzel and Risse 2012a: 11). In the context of our analysis, we are especially interested in the administrative capacity of the states that engage in regional cooperation as the lack of such capacity may limit their ability to engage in regional cooperation (and to adopt and adapt external influences in this field). In order to assess this condition in an encompassing and yet simple way, we resort to data from the Worldwide Governance Indicators (WGI) project. The WGI project aggregates data from multiple respected surveys that assess different components of governance, including perceptions on government effectiveness, rule of law, political stability, absence of violence, etc. Funded by the World Bank, it is the only data source that provides longitudinal data on governance for a relatively long period of time, starting in 1996 – it therefore allows us to cover most of the time frame under analysis here (1992-2012). In particular, we use the WGI indicators for two components of governance that are important in our analysis: government effectiveness, which reflects elements such as the quality of policy formulation and its implementation, and rule of law, which includes questions such as the degree of contract enforcement and the performance of the judicial system.[144]

When scrutinising this data for the four Mercosur member states under analysis, we observe that Argentina, Brazil, and Uruguay rank considerably well in terms of government effectiveness, with the median values of their scores placing them always among the top 50% of all 215 territories analysed. Paraguay, however, remains in the lower quintile, reflecting – among other things – the state's relatively weak presence in large

[144] See Kaufmann *et al.*(2010) for further details on the WGI data sources and how these are aggregated.

parts of the country and its structural corruption. A more detailed look into the assessment for 'government effectiveness' hints at a trait that also becomes apparent in the appraisal of Mercosur's track record as an organisation (Peña 2002: 286; Malamud 2015: 174–5; da Motta Veiga 2002: 349–54; Olmos Giupponi 2010: 57–70): scores are low for the implementation of decisions and policies.[145] In terms of the rule of law, the four Mercosur member states fare quite differently. Again, Paraguay, ranks among the lowest quintile of all countries analysed by the WGI. Brazil and Uruguay have stable scores all over the period reflected, albeit with different values. While Uruguay ranks among the top 35 %, Brazil lies among the lower half of all territories analysed, despite a clearly improving trend over time. Perceptions of the rule of law in Argentina fluctuated during the 1996-2012 period, in average placing Argentina among the lower third of all analysed states. The rule of law scores clearly reflect the Argentine financial crisis between 1998-2002, to which the government reacted by freezing all bank accounts in 2001 (the so-called '*corralito*'). The data is reported below in brief, with the full scores available in annex C.

[145] See the biennial country reports of the Bertelsmann Transformation Index for a qualitative assessment. The reports do also reflect the implementation track record of the governments (and are incorporated into the WGI scores) (Bertelsmann Stiftung 2016).

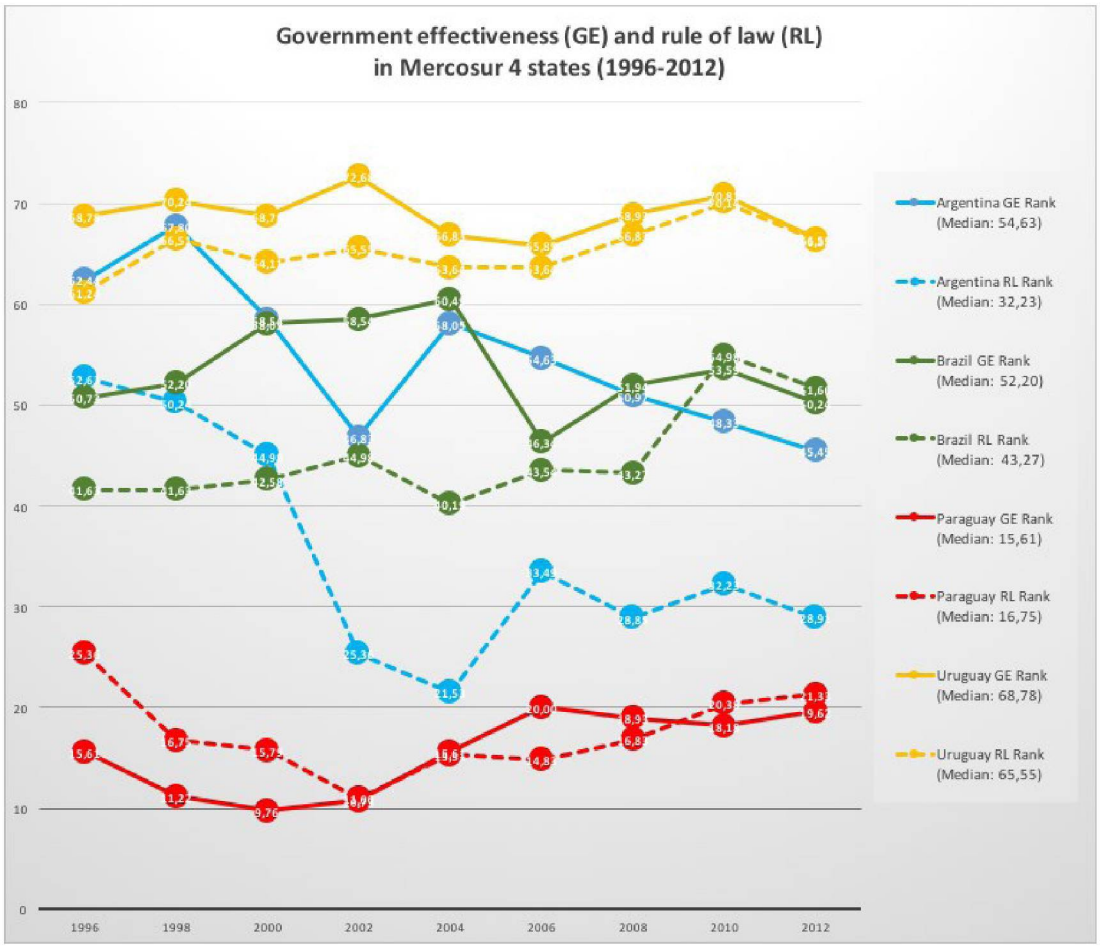

Figure 6.4: Government effectiveness and rule of law in Mercosur states (1996-2012)

Source: Own figure with WGI scores on government effectiveness (GE) and rule of law (RL). The number shows the relative position in percentage among all countries analysed, with 0 being the lowest and 100 the highest possible score. The median for the years 1996-2012 is reported on the right.

In sum, statehood in the Mercosur region seems to be reasonably high (with the notable exception of Paraguay) and does not pose an impediment for regional cooperation and its further development. While the implementation of decisions and policies encounters difficulties across the board, the most important characteristic to take into account when assessing the impact of the EU's promotion of regional cooperation seems to lie with the strong adherence to national sovereignty and the salient role of presidents in the management of regional cooperation. Even in a context in which regional cooperation is seen through a positive lens, resistance to delegate decision-making power to regional institutions is pronounced, especially in the two largest and economically most powerful

countries of Mercosur: Brazil and Argentina. This goes hand in hand with a 'light' and markedly intergovernmental set-up of Mercosur's institutions (see 6.1.3 below).

6.1.2 Power asymmetries - EU leverage on Mercosur

The way in which Mercosur states react to proposals and influences from the EU is likely to be shaped by the EU's leverage on the region or, in other words, by the degree of dependence on the EU. This potentiality is reflected in our scope condition 'power asymmetries'. As discussed in chapter three, we expect dependence to take two forms: economic and provision of political legitimacy or security. For economic dependence, we shall focus on indicators depicting the trade, foreign direct investment and development assistance flows between both regions. As is the case with statehood, it is important to highlight that while the level of dependence varies from one Mercosur state to the other, we are interested in a comparison across regions and thus we will use the aggregated numbers for the Mercosur region overall.

In terms of trade flows, the EU enjoys a strong position vis-à-vis the Mercosur region. It has been the region's most important trade partner in terms of volume over the whole period of study (1991-2012), albeit closely followed by the United States and China, which has progressed to become Mercosur`s second most important trade partner in the last years. In 2014, each of the three trading partners accounted for roughly 20 % of Mercosur's trade volume in goods (DG TRADE 2015). The EU – and to a more limited extent also the US – enjoys a specific importance in comparison to China as a considerable amount of its exports to the region consist in machinery and chemicals with a higher added value and a role as precursors for industrial production in the region. Meanwhile, exports from Mercosur to the EU are mostly agricultural products and raw materials with a lower added value (DG TRADE 2015).[146] Mercosur's trade relationship with the EU is highly asymmetric, with the EU accounting for an average of 20 % of Mercosur's total trade, but Mercosur accounting for less than 3 % of the EU's exports and imports in 2014. Since Mercosur countries were for a long time considered developing states, they enjoyed preferential access to the EU market through the so-called Generalised System of Preferences (GSP)

[146] The numbers cited for 2014 include Venezuela, i.e. the trade share of the Mercosur 4 states is even lower.

until the reform of the system in 2014.[147] Since then, this preference is only being granted to Paraguay, as all other Mercosur countries are now considered upper-middle income countries by the World Bank (Commission 2016a: 2). Hence, since 2014 the relative gain of the Mercosur countries from concluding a trade agreement with the EU has increased – and with it, the EU's leverage over Mercosur. While it is obvious that the GSP reform increased the power asymmetry between Mercosur and the EU in favour of the latter, assessing its precise impact is nonetheless complicated. On one hand, a range of agricultural products in which Mercosur states are highly competitive have always been excluded from the GSP – and thereby unaffected by the loss of preferential access. On the other hand, several representatives from Mercosur states mentioned in interviews that the GSP reform was a decisive spur towards re-engaging in trade negotiations with the EU in 2012 [#28, former senior official, MFA Argentina, phone interview; #12, trade section, Brazilian representation to the EU].

In a region that is extremely dependent on extra-regional investment (UNCTAD 2012: 5), the EU is also Mercosur's largest foreign investor, both in terms of the accumulated stock as in terms of the yearly inflow of investments (Makuc *et al.* 2015: 2). In a similar vein, the EU and its member states are the largest suppliers of ODA to the Mercosur states – and the EU is by far the largest donor to Mercosur itself.[148] In sum, it becomes clear that the EU has certain leverage over Mercosur countries in economic terms, even if this leverage has been gradually diminishing in relative terms over the period analysed in this thesis.[149]

Beyond economic factors, also the role of the EU as a provider of legitimacy or security can play a role when it comes to power asymmetries between both regions.

[147] The end of these preferences for most Mercosur states was foreseeable at least since 2011, when the Commission first announced a reform of the GSP system.

[148] Calculated for aid commitments in the years 2005-2014 (latest data available) using data from the OECD Creditor Reporting System for development assistance, see also Ugarte *et al.*(2004b: 29). While this applies for the timeframe analysed, it is also important to note that only Paraguay does still receive bilateral EU ODA from 2014 on, as all other Mercosur states are not eligible for EU aid anymore due to their economic performance. They remain eligible only for regional and thematic ODA (e.g. for programmes targeted at increasing social cohesion or improving human rights), which are much smaller in terms of funding volume.

[149] Up to being influenced by the EU's sovereign debt crises since 2009, which rendered the EU to be perceived as being in a weaker position than its economic fundamentals would suggest [#19, former Mercosur official; #15, senior official, EU delegation to Uruguay; #48, senior EEAS official].

Nonetheless, in the case of Mercosur this factor seems negligible, even more so as especially the large states in the region have gained in confidence over the last years – in line with their growing economic role in times of increasing demand for commodities. While negligible for the region in general, decision-makers and officials in the Mercosur institutions do look upon the EU – either as a yardstick or as a phenomenon against which it is important to distance oneself [*passim*, e.g. #17, Uruguayan representative to Mercosur; #20, former senior official, MFA Argentina; #40, senior official, MFA Brazil].

Summing up, we observe considerable power asymmetries between the two regions in favour of the EU. These are based on the very important role of the EU as an export market for Mercosur, as the region's highest foreign investor and as the most important contributor of ODA – all these figures coupled with only small relevance of Mercosur for the EU in the same fields. However, while the EU's role for Mercosur remains strong and prominent, it does also become clear that it has diminished over the time frame analysed in favour of both the US and especially China. The next paragraphs show how the diversity between the Mercosur states has also shaped the institutional and political development of the region.

6.1.3 Mercosur's institutional set-up and development

The diversity of its member states has also shaped Mercosur's institutional set-up. Characterised by what has been termed as a "light" (Domínguez 2007: 109–10) institutionalisation, supranational institutions are sparse and most Mercosur decisions are prepared and taken in intergovernmental committees in which all Mercosur states have the same voting power.

Despite its light institutionalisation, the number of specialised committees and fora established at Mercosur level is considerable – with a recent count leading to more than a hundred such committees spanning different levels of seniority – from ministerial to technical – and covering topics as diverse as health, competition policy or the development of common internet domains.[150] A look at the websites of the rotating Mercosur presidencies reveals that many of these committees exist on paper, but do not meet regularly (e.g. Presidencia Pro Témpore Uruguay 2016). These committees report to three intergovernmental bodies: the Council of the Common Market (CMC), the Common Market

[150] Mercosur(2014) shows a list.

Group (GMC) and the Mercosur Trade Commission (CCM). While the Council is formed by the Ministers of Foreign Affairs and Economics of the Mercosur states, the GMC and the Trade Commission are composed of high-ranking officials from national ministries. All three bodies take their decisions by consensus. While the Mercosur states are obliged to comply with the decisions taken by these bodies, Mercosur does not foresee the supremacy of its law over national rules. All decisions do therefore need to be transposed into the national legal orders, providing member states with the possibility to selectively adhere to them or not. Often enough, governments and parliaments delay the transposition, leading to a considerable backlog in the implementation of decisions (Olmos Giupponi 2010: 57–70; Peña 2002: 286; Malamud 2015: 175; da Motta Veiga 2002: 349–54; Gajate 2013: 235–7).[151] This backlog certainly makes up one to the most important stumbling blocks in the further integration of Mercosur – as it prevents the region from having foreseeable and unified in rules in many fields. Beyond these bodies, the presidents of the Mercosur states meet at least every six months for summits that have gained in importance – often being used to take decisions pertaining to the CMC or other bodies.

Over the years, and as part of different institutional reforms, further bodies have either been created or modified, including the Committee of Permanent Representatives of Mercosur (CRPM), the Mercosur Parliament, the Permanent Court of Appeals (TPR) or the Fund for Structural Convergence of Mercosur (FOCEM). To different extents, these bodies modify the strictly intergovernmental construction of Mercosur. In how far these developments were influenced by the EU will be analysed in the ensuing case studies. Beyond the modification of several institutional bodies, Mercosur has also grown in its membership over the last years: in 2012, Venezuela acceded to Mercosur under disputed legal terms after its entry into the organisation had been blocked for several years by the Paraguayan parliament's refusal to ratify the accession. While Paraguay's veto remained, it could be circumvented by the other Mercosur member states as they had suspended Paraguay's voting rights in response to the impeachment of President Fernando Lugo. This suspension was judged by most observers as the political instrumentalisation of the 1998

[151] While precise numbers are scarce, a 2001 estimation concluded that only about 45 % of all Mercosur decisions had been transposed into national law by all four Mercosur states. A recent compilation covering all Mercosur regulations between 1994 and 2008 concludes that around two thirds of the decisions have been incorporated by the member states (Arnold 2016).

Protocol of Ushuaia on Democratic Commitment, itself one of the more hailed institutional innovations in Mercosur (Ribeiro Hoffmann 2007). Bolivia, Ecuador and Suriname are at different stages of planned accession. This development can be seen as part of the stronger politicisation of Mercosur, to which especially Brazil's socialist governments have attached strategic importance as a platform to project the country's leadership in the region [#40, senior official, MFA Brazil; #39, Cabinet of Mercosur High Representative, #02, expert and former senior official at the Argentinean MFA; Pinheiro Guimarães 2012].

In contrast to the EU, where the adoption of the *acquis communautaire* precedes accession, applicant states can join Mercosur first and internalise Mercosur's decision afterwards – increasing the backlog of Mercosur decisions that are not uniformly applied across the region.[152] This eases the process of accession and has certainly contributed to a development that has been characterised by territorial widening instead of substantive deepening. These and further important events in the development are reflected in the chronology below.

Year	Development
26 March 1991	Founding of Mercosur with the signature of the Treaty of Asunción between Argentina, Brazil, Paraguay and Uruguay
17 December 1991	Signature of an intergovernmental dispute resolution procedure – Protocol of Brasília
17 December 1994	Ouro Preto Protocol signed (gave Mercosur legal personality)
24 July 1998	Protocol of Ushuaia on Democratic Commitment (democratic clause allows to suspend states considered in breach of democratic terms)
1 July 1999	Entry into force of the EU-Mercosur interregional framework cooperation agreement (signed in 1995)
6 April 2000	Opening of association negotiations with the EU (suspended in 2004)
29 June 2000	Decision to undertake trade negotiations as a bloc (32/00 CMC)
18 February 2002	Protocol of Olivos on dispute resolution (creates the TPR – Permanent Court of Appeals)
6 December 2002	Decision to transform the Administrative Secretariat into a 'technical' Mercosur Secretariat
6 October 2003	Committee of Permanent Representatives of Mercosur (CRPM) is created
9 December 2005	Creation of the Mercosur Parliament
2006	Inauguration of FOCEM (Fund for Structural Convergence in Mercosur)
4 May 2010	Re-opening of EU-Mercosur negotiations (paused in 2012, exchange of market access offers in May 2016)

[152] According to then Brazilian Foreign Minister José Serra, Venezuela had only internalised 45 % of the Mercosur acquis in the summer of 2016, almost four years after its accession (Leahy 2016).

29 June 2012	Suspension of Paraguay (readmitted in August 2013) and accession of Venezuela
5 August 2017	Suspension of Venezuela (democratic clause)

Table 6.1: Key events in Mercosur's development 1991-2017

Together with those for the Western Balkans region, the scope conditions analysed above will be taken up in the cross-case analysis (chapter 8.2) to assess in how far they relate to the different causal mechanisms and EU impact on regional cooperation.

The ensuing section moves to reply to the first of our sub-research questions for Mercosur: "What instruments does the EU employ to promote regional cooperation in the Mercosur region?" This serves to assess our independent variable 'Use of EU instruments to encourage regional cooperation' using the scheme outlined in the operationalisation chapter 4.3. The following section also selects the individual cases that will be analysed to assess the actual impact of the EU's engagement on Mercosur.

6.2 EU engagement and case-study selection

6.2.1 Fostering institutions against all odds – the EU's strategy towards Mercosur

As mentioned in the introduction to this chapter, the EU was quick in supporting Mercosur on its route to closer regional cooperation. Already a year after the formation of the organisation, it propped up the rotating presidencies with a dedicated budget for external advice and administrative support [Consejo del Mercado Común del Sur, Comisión de las Comunidades Europeas 1995 (1992); Grupo del Mercado Común 1993; #13, former Commission official at the Delegation to Uruguay]. In the following years, this support was continuously increased and formalised through the conclusion of several agreements and technical cooperation programmes (Interregional Framework Cooperation Agreement 1996 [1999]; Commission 2002; 2007g; Commission and EEAS 2010; Commission 1994: 9) totalling around 50 million euros each for seven-year budgeting periods. Seen over the whole period, the principal focus of this technical cooperation lay on institutional strengthening, although this element lost importance in budgetary terms from 2007 on and was dropped in 2011 (Commission 2010b). As shown in the respective strategic documents, in speeches of EU actors (Sistema Económico Latinoamericano y del Caribe (SELA) 2007 - 2008), and confirmed in interviews with EU officials [*i.a.* #01, former senior EU official; #06,

DG Devco official], a three-pronged approach characterises the EU's strategy towards Mercosur: strengthening Mercosur as an organisation, increasing its integration and cohesion as a trade partner, and contributing to specific policy fields which are deemed of strategic or symbolic importance in order to make regional integration visible to citizens (e.g. civil society and cultural programmes).

In the context of the above-mentioned strategy, the EU's approach to Mercosur has evolved over the time period considered in this study. A look at the technical assistance projects funded (see table C.3 in the annex) and at the respective EU programming documents (Commission 2002; 2007g; Commission and EEAS 2010), reveals how the initial focus on Mercosur's institutions was gradually complemented with projects and programmes directly implemented by the individual Mercosur states. According to interviews with both EU and Mercosur officials, this gradual shift was mainly demanded by the Mercosur states, whose interest in receiving support for their joint institutions decreased over time – while the EU continued to stress, both on a technical and political level, that strong institutions were the necessary foundation for functioning regional integration [#01, former senior EU official; #06, DG Devco official; #52, senior EEAS official; #53, EU official, delegation to Uruguay; #20, former senior official, MFA Argentina; #25, Brazilian representative to Mercosur; see also Buchet and Rua Boiero 2012: 17, 47]. When questioned on this emphasis, EU officials explained that their policy towards Mercosur aimed to strengthen independent actors that could develop some degree of autonomy from the often diverging member states, propose initiatives to deepen Mercosur, and ensure compliance with Mercosur rules [#01, former senior EU official; #37, senior DG Trade official]. This emphasis was also presented in EU strategy documents such as the programming documents cited above. Taking into account that such publicly available documents tend to be cautious as to recommending specific policy choices to sovereign partners, the EU's outspokenness in its 2002 strategy paper on Mercosur is especially striking:

> *"the lack of appropriate supranational institutions has impeded progress towards deeper integration. The absence of a strong technical body vested with the power to propose and implement laws at the Mercosur level has been a major obstacle to moving forward with the integration process. This has contributed to a weak integration scheme, an imperfect customs union, which cannot be deepened without the full commitment of all member countries"* (Commission 2002: 17).

According to an extensive evaluation of EU aid to Mercosur, during the period 1992-2004 the EU was the only donor specifically supporting the Mercosur institutions (Ugarte *et al.* 2004b: 29).

On the side of Mercosur, this focus on strengthening the regional institutions is shared especially by Uruguay [#47, MFA Uruguay; #17, Uruguayan representative to Mercosur; #20, former senior official, MFA Argentina; see also Ons 2014] which as a small and trade-oriented country has traditionally suffered most from the implementation backlog of the other member states or the repeated Argentinean and Brazilian forays to protect national industries. EU officials involved in the implementation of the respective cooperation programmes lamented that the Mercosur states preferred to split each EU cooperation programme in four national parts instead of handing it over to the Mercosur institutions [#53, EU delegation to Uruguay; #06, DG Devco official] and even tried to move Mercosur to establish a 'community' institution to implement mutual projects (Comité de Cooperación Técnica del Mercosur (CCT) 2007: 6). In addition to stressing the importance of reinforcing the common institutions, EU representatives also stressed the importance of contributing to a more coherent market also by addressing the severe economic divergences between the Mercosur states [#01, former senior EU official; #47, MFA Uruguay].

EU actions to encourage cooperation in the Mercosur region took and take place in different fields, be it through explicit technical assistance projects or through less direct means in the negotiations of the association agreement. In line with our operationalisation, this section assesses to what extent the EU used instruments to encourage regional cooperation. For this purpose, we assess the EU's actions in the following three policy fields: development cooperation and technical assistance, trade and economic relations, and political relations.[153] The assessment of EU action in different fields is scored and aggregated to produce an overall assessment of our independent variable 'EU instruments to promote regional cooperation'. In doing this, we also answer our sub-research question

[153] Security matters, otherwise part of our field 'political relations', do not play any significant role in the relationship and are therefore not assessed. They are limited to the reassurance of mutual convictions in the association agreement and are not a matter of substantial dispute in the negotiations [#48, senior EEAS official; #40, senior official, Brazilian MFA].

1 "What instruments does the EU employ to promote regional cooperation?" for the EU-Mercosur relationship.

Direct support through technical assistance

The EU's most direct instruments to support regional cooperation in the Mercosur region consist in the provision of technical assistance projects. Table C.3 in the annex lists all EU-financed Mercosur cooperation projects from the founding of the organisation in 1992 onwards. While the EU no longer foresees a specific cooperation programme for Mercosur as a region [#52, EEAS senior official], several projects were still being conducted at the time of writing. Although all cooperation projects were agreed upon by both the EU and the Mercosur member states, officials involved in the respective negotiations on both sides and at different times in our period of analysis report that the initiative for projects often came from the EU [#20, former senior official, MFA Argentina; #28, former senior official, MFA Argentina; #47, MFA Uruguay, #53, EU delegation to Uruguay][154], with a stronger initiative from the Mercosur side only developing over the course of the years. A case in point is Mercosur's outlining of cooperation interests in 2014 (CMC 2014). Internal Mercosur documents confirm the EU's initiative, showing that, in at least one case, the EU rejected to finance a project that had been proposed by Mercosur (PPTU and Amorín 2005) and that projects were occasionally proposed – and, in at least one case, granted - by the European Commission without consulting Mercosur (Comité de Cooperación Técnica del Mercosur (CCT) 2004a: 6; 8–9). This led Mercosur to internally discuss whether different EU projects were always in line with Mercosur's own priorities (CCT 2005a; 2005c).

Our overview shows how the EU focused on strengthening Mercosur's institutions and in enabling them to play a stronger role in the organisation. Internal correspondence between the Mercosur member states also hints at an EU preference for institution-building (Ministerio de Relaciones Exteriores, Comercio Internacional y Culto and Sigal 2006). The fact that 87 % of EU commitments (see table C.3 in the annex) went to supporting the Mercosur institutions and to aiding the region in further integrating its nascent common market, mostly through the development of regional norms, provides a clear sign of the EU priorities. In terms of our assessment of the independent variable 'Use

[154] Two Argentinean negotiators recall a "sometimes paternalistic, even arrogant" [#28, former senior official, MFA Argentina] attitude of the EU in the early 2000s, when "they would have this arrogant attitude of telling you 'we'll help you to do what we did'" [#20, former senior official, MFA Argentina].

of EU instruments to encourage regional integration', this translates into a 'substantial' score for our indicator of the absolute and relative budgetary relevance of the projects aimed at fostering regional cooperation (all scores are summarised in table 6.2 below).

The list of projects also reveals the nature of the projects supported by the EU and how it evolved over time. While the very first years of Mercosur saw the provision of largely unearmarked funds [#13, former COM official in Montevideo delegation; #41, official at the EU delegation to Brazil] to support the incipient central institutions of Mercosur and to increase the capacities of individual states in regional negotiations, the focus quickly shifted to projects in which the transmission of EU experiences to Mercosur stood at the centre. This was the case most clearly with the financing of staff exchanges with the European institutions or the provision of training programmes along the European integration experience. But also the establishment of a centre for training in regional integration in Montevideo (CEFIR) in 1993 falls in line with this approach. Having received a large amount of EU funding, CEFIR provides training and analysis on regional integration to officials and experts in the region drawing upon the EU experience (e.g. Parlamento del Mercosur and CEFIR 2008), albeit having added a focus on civil society and opinion-shapers more recently [#09, CEFIR official]. In addition to the projects shown in the table, the EU did also support the elaboration of studies to assess the advantages of regional integration for Mercosur and further Latin-American sub-regions (Ugarte *et al.* 2004a: 54–6; Botto and Bianculli 2009: 102) and co-funded a Paris-based university chair that analysed the course of the negotiations from 1999-2010 (e.g. Chaire Mercosur Sciences Po 2007; DG TRADE 2003).

Interviews with EU actors involved in the formulation, management and supervision of cooperation projects at different points in time [#15 and #53, officials at EU delegation to Uruguay; #41, official at EU delegation to Brazil, previously at EU delegation to Uruguay], with Mercosur and Mercosur member state officials [#20, former senior official, MFA Argentina; #19, former official of the Mercosur Joint Parliamentary Commission and the Mercosur Parliament], public utterances (e.g. Mercopress 2009) and an evaluation of project documentation (e.g. Subgrupo de Trabajo 8 "Agricultura" 2001; SPS II Project 2007: 5-7,9; PPTA and Sigal 2006: 2; Mercosur Technical Comittee 2 'Customs Issues' 1995: 4–7; Commission 2005a) show that the projects devoted to increase Mercosur's market integration in several fields did in most cases explicitly mention and take

the EU experience in this field as the point of departure, aiming to transpose it to Mercosur. This was also the case in the institution-building field, for example by specifically engaging experts "to provide the practice and experience of the European Parliament's rules of procedure"[155] (Asistencia técnica internacional al Parlamento del Mercosur 2008). This shows that the emphasis of the EU's technical assistance was on promoting institutions that would strengthen Mercosur – often along the experiences made by the EU itself. While this focus has diminished in the last years with the afore-mentioned development of a stronger sense of initiative by Mercosur, these observations lead us to assess the emphasis of mentions on regional cooperation in speeches and interviews with EU policy-makers with a 'moderate' score and the emphasis in strategic documents and in project documentation with a 'substantial' score.

In order to place these cooperation efforts in a stable framework, the EU and Mercosur concluded the afore-mentioned Interregional Framework Co-Operation Agreement (IFCA) in 1996. Drafts of the interregional association agreement show that, at least up to 2004, both sides had agreed to include an extremely detailed part in the agreement that enumerates numerous areas of co-operation, often concentrated on the transfer of knowledge and training. In a degree of detail that is uncommon to such treaties, the cooperation part of the agreement spells out cooperation objectives for dozens of different fields ranging from tourism over macroeconomic policy to technical standards (European Union and Mercosur 2004: 14-37). While this would certainly justify scoring the emphasis field as 'substantial', we assess the emphasis of these mentions of regional cooperation in treaties as 'moderate' for two reasons: firstly, because some of the cooperation fields do not aim at regional but at bilateral cooperation and, secondly, because this emphasis has decreased since 2004 [the current draft of the agreement and interviews with negotiators of the current political and cooperation parts of the agreement further strengthen this view, #48, EEAS official; #44, official at the Brazilian MFA; European External Action Service 2016].

It is important to note that the EU's focus on its own experience was not always met with gratitude by the Latin American side: As preparatory notes of the Brazilian foreign ministry for its co-ordinator in the GMC show, Brazil expressed its opposition to an EU-funded cooperation project on sanitary and phytosanitary measures on the grounds that it

[155] Translated from Spanish by the author.

showed the "EU's clear interest to influence Mercosur's norm-setting process on the basis of European patterns and Mercosur's lack of freedom to influence the fields of technical cooperation" as well as the "manifest European interest to use technical cooperation to push through issues not yet agreed upon in the EU-Mercosur negotiations." (Subsecretaria Geral da América do Sul, Central e do Caribe (SGAS) 2011: 23–4).[156] This scepticism is further confirmed by the utterances of Argentinean[157] officials and a senior Uruguayan diplomat [#47] interviewed by the author.

In sum, and including also the observations made as to the EU's strategy towards the region in the beginning of this sub-chapter 6.2[158], our empirical analysis of the indicators for development cooperation and technical assistance shows a strong use of EU instruments to encourage regional cooperation (12 points out of 16). The components of the assessment are shown in table 6.2 below. The assessment shows that the EU spent considerable technical assistance in encouraging regional cooperation in Mercosur, albeit with a decreasing intensity since 2014. In doing so, it focused on the promotion of regional institutions and norms – often taking its own experience as point of departure or yardstick. The ensuing sub-section moves to analyse the EU's activities in the fields of trade and economic relations as well as political relations, where the EU exerted a less explicit, albeit considerable, influence on Mercosur's development.

Use of EU of development cooperation and technical assistance: EU-Mercosur

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches**.	*1*
	emphasis of mentions in **strategic documents**.	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*1*
Implementation	*emphasis* of mentions in **treaties**.	*1*

[156] Translated from Portuguese by the author. The notes belong to a set of documents leaked from the Brazilian Foreign Ministry in 2013. Although improbable, it cannot be excluded that they have been modified before release.

[157] As quoted in footnote 154 above.

[158] The EU's focus on supporting institutions for regional cooperation mentioned in pages 153f. is reflected with a 'substantial' score on the emphasis of mentions in strategic documents and the specific mention of support for regional cooperation in the interregional framework-agreement between the EU and Mercosur (see also p. 153) is scored as 'moderate'. While Titles IV and V of the agreement are specifically dedicated to this field, the agreement covers also other areas of cooperation.

	absolute and *relative budgetary relevance* of development **cooperation projects** aimed at fostering regional cooperation.	*2*
	emphasis of mentions in **project documentation and assessments.**	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*1*
	emphasis of mentions in **interviews** with policy-makers from EU partners (officials present in negotiations and implementation).	*2*
Use of development cooperation and TA to promote regional cooperation scores as none (0) – low (1-5) – middle (6-11) – strong (12-16)		**12 Strong**
categorisation of *emphasis, relevance, number* and *amount* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 6.2: Use of EU development cooperation and technical assistance to encourage regional cooperation in Mercosur

Trade and economic relations: the indirect power of the factual

Beyond the use of explicit instruments to promote regional cooperation in the Mercosur region, the EU did and does also encourage Mercosur through a number of less explicit measures that either increase the perceived political value of the region or encourage it to create new mechanisms of internal consultation and coordination.

In the field of trade and economic relations, the negotiations with the EU – which has been the only sizeable negotiation partner of the region[159] – have influenced the development of Mercosur. Especially for the first years of Mercosur's exposure to the EU, Latin-American officials, up to the presidents of the Mercosur states (Sistema Económico Latinoamericano y del Caribe (SELA) 2003), report that negotiating with a relatively coherent actor put them under pressure to develop coordination mechanisms. Reflecting on the 1999-2004 trade negotiations with the EU, the then Foreign Minister of Uruguay, Didier Opertti, openly lamented that the Europeans had everything that Mercosur lacked: a clear perception of their goals, their limits and leeway, and, above all, formally agreed upon negotiation positions (Opertti Badán 2002: 18).[160] In light of these difficulties, Mercosur did in fact introduce coordination measures, mostly at the intergovernmental level and most notably through decision 32/00, in which Mercosur states committed to jointly negotiate any trade agreement with external partners (CMC 2000c). Similarly, the negotiations

[159] Mercosur did also participate in the negotiations on the Free Trade Area of the Americas, but these were suspended in 2003.

[160] Senior Brazilian and Uruguayan officials working on the trade negotiations with the EU express the same views in a book edited by the Brazilian Foreign Ministry to relaunch Mercosur (Botafogo Gonçalves 2002: 156–62; Magariños 2002: 225–7).

increased the perception that the joint institutions of Mercosur had to be enabled to provide information, assessment or to coordinate cooperation projects [#20, former senior official, MFA Argentina; #78, ambassador to the EU of a Mercosur state; #25, Brazilian representative to Mercosur; see also Bouzas 2004: 16-17,21; a divergent view is expressed by #20, former senior official, MFA Argentina].[161]

While the decision to negotiate with the EU as a bloc was taken by Mercosur itself in June 2000, the European side welcomed and to a certain extent incentivised this decision – not least through the fact that the Council's 1999 negotiation mandate to the Commission is bound to negotiating with the group as a whole (a decision that limited the EU's later options) [#37, senior DG Trade official; Latin America Working Party of the Council (COLAT) 1999]. In fact, most of the (trade-related) technical assistance measures reflected above were oriented at supporting Mercosur in developing common negotiation positions and in enabling the weaker states of the group to actively feed their positions into regional mandates (e.g. the 1992 training for Paraguayan and Brazilian officials and the support to the Uruguayan sectorial committee for Mercosur from 2000 on). Apart from these early measures aimed at strengthening the position of individual states in the organisation, all other trade-related technical assistance measures sponsored by the EU can be seen as a contribution to ensuring that Mercosur is indeed as uniform a market as possible – a measure not explainable just by market access considerations.[162] The projects examined (Subgrupo de Trabajo 8 "Agricultura" 2001; SPS II Project 2007: 5-7,9; PPTA and Sigal 2006: 2; Mercosur Technical Comittee 2 'Customs Issues' 1995: 4–7), all aim at developing common technical norms for the whole Mercosur market. Drafts from the first phase of the negotiations for an association agreement confirm the wish to expand trade-related technical assistance (Draft articles on cooperation 2002a). We therefore score the emphasis on regional cooperation in trade-related assistance projects and the share of such projects as 'substantial'. European and Latin-American negotiators that took part in different phases of the trade negotiations repeatedly stated in interviews that the EU would routinely stress

[161] While it is only consistent for members of a customs union to negotiate trade agreements as a bloc, Mercosur states maintained a number of individual trade negotiations before decision 32/00 was taken.

[162] From a purely quantitative point of view, the EU might have been satisfied with concluding a trade agreement with only Brazil or Argentina, which make up approximately 95 % of Mercosur's market size.

the importance of concluding an agreement with a coherent market [#20, former senior official, MFA Argentina; #01, former senior EU official; #37, senior DG Trade official; #02, former Undersecretary of State for Foreign Trade of Argentina; #40, senior official, Brazilian MFA]. Documents from the negotiations and internal Commission discussions on them reflect the same emphasis (Commission 2004c: 1; 2004b; Commission 2010: 4–5).[163]

As the negotiations became more complicated and were ultimately suspended at the end of 2004 and in view of the economic growth of Brazil and the relative decline of the other states, the EU's emphasis on a bi-regional trade agreement has lost weight. Nowadays, senior EU officials admit (albeit not in public) or at least do not anymore exclude that they would pursue an individual trade deal if Brazil wanted to do so [respectively, #52, senior EEAS official, and #37, *ibid.*]. Even the currently negotiated trade agreement would include specific liberalization chronogrammes for each of the Mercosur states [#37, *ibid.*; also #40, *ibid.*], approximating it to individual agreements under one normative roof. This shows that practice is more pragmatic than the EU's strategic aim to conclude an agreement with a (regionally) integrated market reflected in the negotiation mandate, in strategic documents and throughout most of the negotiations. In light of this evolution, we score the emphasis on a regionally coherent agreement in the planning and strategy phase with a 'substantial' score and with a 'moderate' score in the implementation phase. In a similar vein, the emphasis on Mercosur as a coherent market decreased over time in speeches and public utterances of EU actors. While this emphasis was strong during the mandates of trade commissioners Lamy (1999-2004, e.g. Lamy 2002: 2–3; 2003b) or even Peter Mandelson (2004-2008, e.g. Commission 2006), it clearly decreased in speeches of the last commissioner in our period of analysis, Karel de Gucht (albeit the negotiations were taken up again during his term from 2010 on). Instead of highlighting the special nature of a bi-regional agreement, speeches focused on the virtues of simply concluding an agreement, often highlighting the special role of Brazil within Mercosur (de Gucht 2012b; 2012a). In light of this decrease, we rate the EU's emphasis on ensuring an agreement with a unified Mercosur in speeches from EU actors as 'moderate'. No specific emphasis on regional integration can be found in the trade-related parts of the Interregional Framework

[163] More specifically, the EU repeatedly mentioned that the existence of a double external tariff for (EU) importers is problematic. This is a result of the numerous country-specific exceptions to Mercosur's common external tariff, de facto meaning that a product entering Mercosur from the EU may be taxed again if transferred to another Mercosur state.

Cooperation Agreement, the only treaty between the EU and Mercosur at the time of writing (IFCA 1996: Title II). Therefore this particular indicator is scored with 'none'.

The overall picture for the EU's use of trade and economic instruments to promote Mercosur's further regional integration is more nuanced than in the case of development cooperation and technical assistance, where virtually all efforts aimed at strengthening regional institutions. Summarised in table 6.3 below, the scores for the indicators reflect how EU actors emphasised the role of a coherent and uniform market especially in their strategic goals towards the region and in the negotiations, but also how this emphasis lost importance in practice and as the negotiations became more and more complicated. In line with the observations made for the rest of EU technical assistance, also most of the trade-related technical assistance provided by the EU focused on strengthening regional integration by supporting the development of norms applied in the whole region.

Use of EU instruments: trade and economic relations: EU-Mercosur

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches.**	*1*
	emphasis of mentions in **strategic documents**.	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*2*
Implementation	*emphasis* of mentions in **treaties.**	*0*
	emphasis of mentions in **project documentation and assessments.**	*2*
	amount and *share* of trade-related technical **assistance** oriented towards regional cooperation and integration.	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*1*
	emphasis of mentions in **interviews** with policy-makers from EU partners.	*1*
Use of trade and economic relations to promote regional cooperation scores as none (0) – low (1-5) – medium (6-11) – strong (12-16)		**11 Medium**
categorisation of *emphasis* and *amount* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 6.3: Use of EU trade and economic relations to encourage regional cooperation in Mercosur

Political relations: encouragement by practice and decreasing insistence

Moving now to the field of political relations, we observe that the negotiations were also used by the EU to actively project institutional templates and proposals for the further development of Mercosur as a regional organisation. Officials in charge of different phases

of the EU strategy towards Mercosur leave no doubt on the strategic interest to encourage regional cooperation with Mercosur [#01, former senior EU official; #06, DG DEVCO; #13, former COM official in Montevideo delegation; #48, EEAS official; #15, EU delegation to Uruguay]. Especially in the first decade of the relationship between both regions, EU strategic documents made clear which integration path was the correct or even superior one: "All these [Mercosur] institutions are *still* at an intergovernmental *level of development*, but Mercosur is *trying to make an effort* on institutionalisation." (emphasis added, Commission 2002: 13). Despite this strong importance attached by the EU to regional cooperation, the decrease of the EU's emphasis over time, up to the extent of not anymore pursuing a specific political strategy towards Mercosur as a region, leads us to score the emphasis expressed in strategic documents and in interviews of EU policy-makers tasked with the strategy of EU relations as 'moderate'.

In the practice of political negotiations, participants from both sides report that EU representatives stressed the importance of establishing regional compensation mechanisms to bridge, or at least limit, the strong social and economic divergences between the individual Mercosur states, naming the EU's cohesion and regional development funds as possible examples [#01, former senior EU official; #28, former senior official of the Argentinean MFA; #56, senior official of the Argentinean MFA and #20, former senior official, MFA Argentina; #78, ambassador of a Mercosur state to the EU, see also quotes in Schünemann 2008: 174–6]. Similar interventions are reported as to the development of further regional institutions, such as a regional court [#01, former senior EU official]. In contrast to these accounts from previous negotiation phases, a Brazilian participant in the current phase of negotiations does not recall the EU expressing any proposals as to the further development of Mercosur [#40, senior official, Brazilian MFA]. In light of these observations from interviews with officials from both sides, we score the EU's emphasis in this field as 'moderate'. This assessment accounts for the decline in the EU's emphasis in encouraging Mercosur to pursue specific institutional approaches. It remains a difficult task to find an EU declaration or statement on a Mercosur state that does not include references to Mercosur – also in the case of Brazil, which is singled out as a strategic partner of the EU with regular summits and high-level meetings also on issues beyond the biregional relationship (e.g. Sistema Económico Latinoamericano y del Caribe (SELA) 2007; Council 2013d; Brazil and European Union 2012). We therefore rank the EU's

emphasis on regional cooperation as expressed in statements and declarations as 'substantial'.

Beyond the active proposal of institutional templates by the European side, also Mercosur representatives themselves looked at the EU's organisational set-up for inspiration on, for example, the creation of a regional spokesperson that would represent Mercosur's positions internationally and in the region, as a former holder of the office confirms [#77, former president of the CRPM] or a committee of permanent representatives [#78, ambassador of a Mercosur state to the EU]. In such cases, the EU was not actively using any instruments but rather serving as a source of inspiration. In terms of our analytical framework, this points at possible instances of lesson-drawing or emulation (for a similar case see Botto 2009: 175).

Politically seen, the conduct of negotiations with Mercosur as a regional entity increases its international presence and reputation but also its standing vis-à-vis its own member states. Although this effect may be seen as a mostly symbolic matter, its importance is not to be underestimated. Seen conversely, if Mercosur lost its role as an instrument for the external relations of its member states, it would imply a loss of relevance for most of its member states, which, being relatively small markets, are by themselves not necessarily able to command sufficient power of attraction in trade terms. Even for the largest and economically most relevant state, Brazil, Mercosur is an instrument to shape its regional milieu.[164] Over the two decades Mercosur and the EU have interacted, several EU-Mercosur summits have taken place, usually at the margins of larger bi-regional meetings. According to several participants in such meetings, these serve mostly ceremonial purposes but bolster the international presence of the region [#01, former senior EU official; #04, EP official]. The signing of an interregional framework cooperation

[164] In fact, officials at Itamaraty, the Brazilian ministry of foreign affairs, frankly stated this as the main reason for not pursuing trade negotiations individually even at times when Argentina blocked their progress [#40, senior official, Brazilian MFA; #25, Brazilian representative to Mercosur]. The admission of Venezuela into Mercosur, despite its difficult economic situation and its manifest inability to comply with membership conditions, can also be interpreted as a mostly political move (see the resignation letter of Samuel Pinheiro, former Mercosur High Representative and a strong advocate of Venezuelas membership (Pinheiro Guimarães 2012: 13–5), as well as the fact that the negotiations were directly conducted by Marco Aurélio Garcia, the foreign policy advisor of then Brazilian president Dilma Rousseff and not by the Foreign Ministry].

agreement between the EU and Mercosur in 1995 falls into the same category. Taking into account that the matters dealt with in the treaty (general reassurances of the mutual commitment to cooperation and regional integration and the outline of a support programme in institutional and trade matters) are usually agreed upon in less ceremonial documents, mobilising the then 15 EU foreign ministers to sign this agreement denotes the ambition or, at least, symbolism the EU wished to attach to this cooperation. In light of the time passed since then, we do nonetheless rank the EU's emphasis in treaties as 'moderate'.[165]

Political engagement was stronger between parliaments. The EP engaged with Mercosur's Joint Parliamentary Commission (CPC in its Spanish and Portuguese acronym) already from the early nineties on – from 1997 on through its delegation to the Mercosur states [#04, *ibid.*; see also Dri 2015: 167–9]. The establishment of this delegation in the follow-up of the 1995 interregional framework agreement was perceived as a sign of support to the CPC (and the later Mercosur Parliament), which enjoyed a rather limited public perception and political relevance domestically, by Mercosur officials [#55, #57, officials of the Mercosur Parliament] and parliamentarians [#19, former official of the CPC and the Mercosur parliament]. Beyond the formation of the delegation, the EP's engagement included regular political visits to the CPC and the national parliaments, the participation in training courses for parliamentary officials (Figueroa 1997: 84–9) and the signing of a declaration on technical and political cooperation (Delegación para las Relaciones con los Países de Sudamérica del Parlamento Europeo (PE) and Comisión Parlamentaria Conjunta del Mercosur 1997). Taking the executive and the parliamentary relations together, we assess the relevance of EU political dialogues with a regional focus as 'moderate'. In this general context, speeches and utterances by high-level EU actors applaud the decision of Mercosur states to pursue integration and encourage them to move on (e.g. Benítez 2014: Interview Leffler; de Gucht 2012a: 2; Sistema Económico Latinoamericano y del Caribe (SELA) 2007: Steinmeier). But, in contrast to the utterances in strategic documents and those reported from the negotiations, no instances could be found in which EU actors would go beyond establishing a general sense of kinship between both

[165] The agreement was signed during the Spanish Council Presidency in 1995, this may further indicate that symbolism played an important role. Santander (2005: 294) argues that, upon request of the EU, Mercosur states decided to grant ist organisation legal personality to enable it to sign this agreement.

regions or even pronounce themselves on what was the 'right' path to pursue. This particular indicator is therefore scored as 'moderate'.

We can conclude that the EU used the political instruments at its disposal to encourage regional cooperation between the Mercosur states to a considerable degree, ranking in the higher middle rank of our assessment (9 points out of 16). As in the trade field, we can observe how the emphasis of the EU on promoting regional cooperation among its negotiation partners decreased over time.

Use of EU political instruments: EU-Mercosur

Policy-making levels	**Indicators (units of assessment in *italics*)**	**Score**
Planning and strategy	*emphasis* of mentions in **speeches**.	*1*
	emphasis of mentions in **strategic documents**.	*1*
	emphasis of mentions in **interviews** with EU policy-makers.	*1*
Implementation	*emphasis* of mentions in **treaties**.	*1*
	relevance of **political dialogues with a regional focus.**	*1*
	emphasis of **statements and declarations mentioning regional cooperation**.	*2*
	emphasis of mentions in **interviews** with EU policy-makers present in / tasked with negotiations.	*1*
	emphasis of mentions in **interviews** with policy-makers from EU partners present in / tasked with negotiations.	*1*
Use of political relations to promote regional cooperation scores as none (0) – low (1-5) – medium (6-11) – strong (12-16)		**9 Medium**
categorisation of *relevance* and *emphasis* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 6.4: Use of EU political relations to encourage regional cooperation in Mercosur

The analysis above has served to assess our independent variable 'EU use of instruments to encourage regional cooperation' for the EU's relationship with Mercosur. We have identified diverging degrees of engagement by the EU in the three foreign-policy fields: development cooperation and technical assistance, trade and economic relations and political relations. Summing up the overview above, we see that the EU employs both direct and indirect instruments to promote (closer) regional cooperation in the Mercosur region. While training measures, support to the development of common regional norms and to the establishment or reform of regional institutions are the most prominent forms of

explicit support, implicit support or encouragement includes instruments such as actively projecting institutional templates or providing Mercosur with a stronger international role by regularly interacting with it on a regional level. These interactions reflect the fields where the EU has employed its instruments to promote regional cooperation and provide the set of potential cases among which individual case studies will be selected to analyse whether the EU has been able to influence the emergence and development of regional cooperation in Mercosur (SRQ2).

6.2.2 Case-study selection

The overview of EU activities above confirms the EU's focus on increased market integration and institutionalisation outlined in the methods chapter (cf. 5.2.3, p. 118f.). Accordingly, these fields form the basis to select individual cases of institutional change that will be analysed to trace the EU's impact on them.

For the first field, market integration, we select two cases that meet the criteria outlined in section 5.2.3: (1) institutional change has taken place during the period of analysis, (2) towards which the EU has applied its instruments to promote regional cooperation, (3) they are narrow enough to identify external influences, and (4) they are potentially relevant to the overall development of cooperation and integration in the studied region. These criteria are met by Mercosur's creation of a regional fund to harmonise market conditions and development levels across the region (the so-called FOCEM, Fund for Structural Convergence in Mercosur, Case 1) and by Mercosur's efforts to establish common regional norms and practices in the field of governmental statistics (Case 2). In light of Mercosur's strong (economic) heterogeneity, the need to increase cohesion between the member states to facilitate a closer integration was regularly mentioned by the EU in its negotiations with Mercosur and the EU's own experiences with its structural and investment funds were presented as one possible blueprint [e.g. #1, former EU senior official]. The creation of FOCEM represented the first reflection of these imbalances in Mercosur's political practice and the first time it moved away from strict parity in the financing of a regional policy. The second case, the establishment of a macroeconomic convergence regime and supporting activities to improve statistical data, does also seek to address the consequences of Mercosur's divergences and the regular contagion of economic crises between its member states. It was supported by the EU, most notably by means of three large technical cooperation projects: Statistical Harmonization (1997-2002),

Statistical Cooperation II (2005-2011), and Support for Macro-economic Monitoring (2007-2011). Beyond these cooperation projects, participants in the negotiations between Mercosur and the EU report that increasing macroeconomic convergence in the crisis-ridden Mercosur was regularly mentioned in the interaction between both regions as part of the EU's emphasis on concluding an agreement with a coherent and stable market [#22, Professor Universidad San Martín and Universidad Buenos Aires and consultant; #1, former EU senior official; #20, former senior official, MFA Argentina]. Between 1999 and 2011, the Mercosur countries did indeed create and then reform a convergence mechanism based on macroeconomic targets similar to the EU's Maastricht criteria.

In the second field of EU intervention, the institutionalisation of regional cooperation, we select two cases in which specific institutional changes took place in areas were EU support happened through direct means – again through technical assistance projects: the creation of a Mercosur Parliament out of the Joint Parliamentary Commission of Mercosur (Case 3), and the creation of the Permanent Court of Appeals (*Tribunal Permanente de Revisión, TPR*) (Case 4). Both institutions have their origin in the early to mid-2000s, albeit the Mercosur Parliament has not yet reached its final status envisaged in its reform: a direct election of all parliament members.[166]

Synthesis

The previous paragraphs have shown how the EU has spent considerable financial, technical and, to a more limited extent, also political resources to encourage and support Mercosur to continue its path towards regional integration. This allows us to reply to our SRQ 1 'What instruments does the EU employ to promote regional cooperation?' for this particular relationship: We observe that the EU used instruments from all three policy fields

[166] Beyond the four cases selected, also a number of other cases would have met the above-mentioned criteria: the installation in 2010 of a permanent High General Representative (Alto Representante General) of Mercosur attached to the highest governmental decision-making body shows resemblance to the EU's High Representative for the CFSP created in 1999 and attached to the Council of Ministers. In fact, it was created in accordance with the EU's template, as one of holders of the preceding office and a confidential document from the Brazilian MFA confirm [#77, former president of the CRPM; Ministério das Relaçoes Exteriores 2012: 42]. Similarly, the development of common sanitary and phytosanitary norms on the basis of EU norms, the creation of the set of rules that define Mercosur's common market (like the Mercosur custom's code) or the establishment of a student exchange programme in the region could have been chosen as in-depth case studies.

distinguished in our definition of the independent variable: trade and economic relations, development cooperation and technical assistance, and political relations. Certainly, cooperation and technical assistance is the most prominent field, scoring a 'strong' intensity in our analysis. Here the EU has focused its resources on building the regional market and strengthening regional institutions, although this focus has diminished over time. Specifically, training measures, the provision of expertise and projects to aid in the development of regional norms and their implementation are the tools most used. Beyond this explicit support, the EU has also promoted cooperation in the region by stressing the importance of certain institutional and policy changes, but also by uncovering the region's need to increase its coordination and by passively providing institutional templates that were likely to be taken up by Mercosur. Activity in these two fields scores as 'medium' in our analysis.

Taking this into account, we have selected four cases to empirically trace whether and to what extent the use of these EU instruments to promote regional cooperation has been met with success. Beginning with the field of market integration, the two following sections will analyse whether EU instruments have had an impact on institutional change in Mercosur.

6.3 Market integration

Mercosur's aspiration to create a common market has always been met with a central challenge: confronting – or at least – accommodating the vast divergences between its four member states. The ambitious plan to set up a customs union in just three years soon encountered different expressions of this challenge: ever since, Mercosur states have been perforating their common external tariff with a growing list of exceptions to protect those industries they see under threat from competitors inside the region (GMC 2000; CMC 2015c; 2010; 2009; 2007c; CMC 2005; 2003; 2000b); industrial disputes, reaching from the auto to the paper industries, have been retaliated by the states with duties or even outright political boycotts (International Court of Justice 2010; Infobae 2015); and economic crises have been exacerbated by unilateral decisions – to name just a few prominent examples that show the lack of (effective) regional policies and norms and that have rather divided than united the common market.

This section will study two cases of institutional change inside Mercosur that aimed to bridge the fundamental divergences between the member states increasing the coherence and integration of the regional market: the creation of a regional cohesion fund and of a macroeconomic convergence regime. The two case studies proceed along the same structure. Firstly, the respective institutional change (i.e. our dependent variable) is analysed and its intensity is assessed. Secondly, the context in which the reform took place is briefly reflected, focusing on assessing the last and most time and situation-specific scope condition: domestic incentives. In light of the context and the EU instruments identified for the specific case, the core of each section process-traces the impact of those diffusion mechanisms that could have influenced the decisions and actions of Mercosur actors. The intensity of each of the hypothesised causal mechanisms is assessed and scored, allowing to rank their relevance for each of the cases studied.

6.3.1 A Cohesion Fund for Mercosur? – the establishment of Mercosur's Fund for Structural Convergence

Mercosur's Fund for Structural Convergence (FOCEM) seeks to lessen the extreme differences in economic development between the Mercosur states. The importance of diminishing these gaps to increase Mercosur's economic stability, to consolidate it as a common market and – not least: to increase its public acceptance, was regularly mentioned by the EU in its negotiations with the region [e.g. #1, former senior EU official; #20, former senior official, MFA Argentina]. However, the matter did not play a role in the regional political practice until the creation of FOCEM.

Institutional change - moving from contribution to redistribution

The inauguration of FOCEM in 2006 marked the public recognition of the strong economic imbalance between the Mercosur states – in terms of the very goal of the fund but also with regard to its financing: the fund is the first Mercosur instrument funded by the member states in accordance with their economic size. Whereas the largest contributor, Brazil, pays 70 % into FOCEM's budget, Paraguay's share amounts to just 1%. The distribution of the funds is the opposite, with 48 % going to Paraguay and only 10 % each to

Brazil and Argentina.[167] The fund examines, approves and oversees development projects to reduce the structural divergences between the Mercosur states. Despite the large divergences in the region, structural asymmetries had not played a significant role in Mercosur's discussions until 2003 (Terra 2008: 20).[168] Up to this point, Mercosur had been built on the traditional liberal conviction that increased trade would gradually allow states to approach economic convergence and build an increasingly integrated common market. Mercosur had even rejected the 'special and differential treatment' that was already established practice in other Latin American trade agreements (Bouzas 2005: 16).

This fundamental change to Mercosur's tradition meant the addition of a new task to Mercosur's goals: actively reducing the economic divergences between its member states through regional redistribution. This new task, a core function in terms of our analytical scheme for institutional change, came along with the creation of a dedicated regional institution and involves different Mercosur actors: The fund itself is managed by a newly created FOCEM secretariat that assesses the projects presented by member states. At a decision-making level, the fund draws on existing Mercosur institutions to decide upon the individual projects (done in the CRPM) and to politically approve these decisions (in the CMC) (de Andrade Correa 2010: 401). In terms of decision-making rules, FOCEM operates along four thematic programmes, ranging from infrastructure to social cohesion. These programmes were defined in two ministerial decisions, the second of which also established the shares for the contributions of the states and for the share they would be able to receive (CMC 2005: Art. 6, 10; 2004c). As to its competences, the fund is mainly tasked to technically assess, fund and oversee the projects presented to it. Formally created in December 2004, the fund started to operate in 2006 and has been prolonged for another ten years in 2015 (de Andrade Correa 2010: 399–400; 2015b). The funding for the first projects was approved in 2007 (CMC 2007b). Not surprisingly, the addition of a new field of activity to Mercosur and the creation of a new institution to take care of it involves change along all four dimensions of our dependent variable. The sum of these changes leads us to classify the creation of FOCEM as a substantial institutional change. The table below sums up this assessment.

[167] These shares have been adapted as a result of Venezuela's accession to Mercosur.

[168] It is surprising that Mercosur's founding treaty did not include any significant provisions for differential treatment in trade aspects beyond the granting of exceptions from the common external tariff (Asunción 1991b: Art. 6, Anexo I; cf. Secretaría del Mercosur 2005a: 8–10).

Dimensions of institutional change	Change indicators	Score
Core function	Reduce structural divergence between the Mercosur member states	1
Actors	Creation of an own institution to manage the funds and administer projects Managerial and political decisions are taken by CRPM and CMC	1
Decision-making	Creation of rules that define: • Fields of activity for the fund • Contribution shares and shares devoted to each country	1
Competences	Assessing the technical viability of development projects Financing development projects	1
Institutional change – FOCEM		**4 Substantial**
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.		

Table 6.5: Institutional change in the establishment of FOCEM

As mentioned above, the creation of FOCEM was Mercosur's first significant incursion into a mode of financing that moves away from equal contributions to shares calculated along the economic size of the member states.[169] This meant a significant break with Mercosur's tradition, which had so far upheld the equality between all member states. The following paragraphs will briefly survey the context and the domestic incentives under which these changes became possible.

Context and domestic incentives

The creation of FOCEM was preceded by a short but intense discussion between the Mercosur states. Whereas Paraguay, the smallest and by far poorest country in the group, was obviously in favour of establishing redistribution mechanisms, the incentives of the others to agree were less straightforward – even less so if one takes into account that Mercosur had so far strictly avoided any discussions on 'solidarity' between its member

[169] Several institutions created at the time or later on, such as the Mercosur Parliament or Mercosur's High Representative, are also financed according to GDP size. The financial amounts are much smaller though. Two further funds were established by Mercosur with similar contribution shares in 2008 and 2009, one to guarantee loans to SMEs and one to support family-based agriculture (cf. ABC Color 2015a).

states. It is important to highlight that the agreement of Brazil and Argentina was only possible as a result of the political and economic climate in which Mercosur saw itself from 2003 on – in the aftermath of the most serious economic crisis for decades. Emerging from a unilateral Brazilian devaluation in 1999, the crisis culminated with Argentina's default in 2001 and sent all other Mercosur states into deep economic trouble. Exposing the contagionness of the economies and exacerbating its harsh divergences in development, the crisis had called into question the very purpose of Mercosur.

To boost Mercosur's reputation after the crisis, the member states agreed on a 'work programme'. This programme aimed to finalise the common market, increase the presence of Mercosur institutions and widen its social agenda (CMC 2003d) – a path towards "profound integration" as it was termed by its proponents (Bouzas 2005; Government of Paraguay 2007: 3). This emphasis on Mercosur's renewal was further propelled by the coming into office in 2003 of Brazilian president Lula da Silva, whose government saw a prosperous and stable Mercosur as a decisive instrument for the projection of Brazilian influence [#40, senior official, MFA Brazil; #39, Cabinet of Mercosur High Representative, #02, expert and former senior official at the Argentinean MFA; Pinheiro Guimarães 2012].[170] In terms of our scope conditions, the aftermath of the crisis represents a 'critical juncture' at which a sufficient number of relevant political actors saw a need for reforms. Furthermore, this juncture opened an opportunity for external stimuli to influence regional debates and decisions more strongly than before. Indeed, decisive political actors and officials report that the crisis had opened their mind for reforms [cf. the numerous contributions in Hugueney and Cardim(2002), #23, former head of staff to the president of the CRPM].

The small and land-locked Paraguay used this spirit of departure to play a role beyond its economic and political weight.[171] It used its presidency of the bloc during the first semester of 2003 to obtain a recognition of the need to establish redistribution mechanisms between the Mercosur states (Bouzas 2005: 17; Banco Interamericano de Desarrollo - Instituto para la Integración de América Latina 2007: 63). In February 2003, the Paraguayan government presented a number of proposals seeking a differential treatment

[170] Spektor(2010); Malamud(2011); Genna and Hiroi(2007) discuss Brazil's evolving role within Mercosur.

[171] A role that Paraguayan diplomacy still celebrates, as evidenced in an article published by the Paraguayan diplomatic academy (cf. Ruíz Díaz 2016).

for its own country based on its lower degree of development (INTAL 2006: 75). While the larger states had traditionally blocked such initiatives, this time Brazil and Argentina reacted differently. Argentina remained sceptical to the establishment of redistribution mechanisms[172], but the political, post-crisis, context did allow neither Argentina nor the more inclined Brazil to block the discussions completely [#25, Brazilian representative to Mercosur]. Instead they agreed to a general mandate and took the issue head on, with Argentina tabling its own proposal in addition to those of Paraguay and Uruguay (CMC 2003b: 1–2). These proposals were to pave the way for the ministerial decision "to prepare, in 2004, the studies necessary to establish structural funds in Mercosur to aid the competitiveness of the smaller countries and less developed regions" (CMC 2003d: 1.6; 2003c: Art. 1)[173].

In sum, we observe that the agreement on the establishment of structural funds for Mercosur was catalysed by the foregoing crisis, a 'critical juncture' that pushed Mercosur states to reform their ailing regional block, creating room for so far taboo-ridden proposals and making it impossible for the more hesitant Argentina and Brazil to oppose a redistribution scheme. Even though this 'critical juncture' allowed to place the topic of structural divergences on Mercosur's agenda, the bargaining situation was far from simple, with the countries having quite diverse interests. While Paraguay is certainly Mercosur's poorest state and Brazil the one with the strongest economic clout, internal inequalities inside the different states are large and complicate the interests beyond a simple dichotomy between large and small states. The wording of the decision quoted above – "…smaller countries *and less developed regions*" already hints at the solution that was to be found later on: expanding the degree of beneficiaries beyond the smaller countries. The negotiations that led to this decision and to the set-up of FOCEM will be analysed in the next pages, focusing on whether and how EU instruments may have influenced them.

[172] This can be seen, for example, in the speech of the Argentinean president to the Mercosur summit in June 2003. It lists Mercosur's challenges at that time but obviates the on-going discussions on structural funds (cf. Kirchner 2003). These are taken up in Lula's speech, who issues a general commitment to reduce the 'asymmetries' between the Mercosur states (da Silva 2003: 3).
[173] Own translation from Spanish.

Negotiating a structural fund for Mercosur – having the ear of the 'technicians', not of their 'masters'

Three turning points in the negotiations

Trace evidence gathered from the accounts of participants in the discussions, from Mercosur meeting documents and from reports of close observers shows that the negotiations to establish structural funds for Mercosur unfolded in three phases [Ruíz Díaz 2016: 51-58; Secretaría del Mercosur 2005a: 9–11; INTAL 2006: 75–6; Secretaría del Mercosur 2005c; 2005b; de Andrade Correa 2010: 399–400; #17, Uruguayan representative to Mercosur; #25, Brazilian representative to Mercosur]. The first phase started with Paraguay's initiative to bring the fight against structural divergences to the table. This phase spanned from February to December 2003 and has already been reported above. During this first phase, we observe how Paraguay's initial idea to introduce trade preferences and/or direct transfers to its own benefit changed into a proposal to establish structural funds. We also note that the planned scheme did not anymore focus on the state level but addressed less-developed regions irrespective of the country.

The December 2003 decision of the Mercosur ministers to prepare different studies and options to establish structural funds for the region marked the start for the second phase of the negotiations and the go-ahead for the official discussions within Mercosur, for which different proposals had already been tabled by Paraguay, Uruguay and Argentina. These discussions took place in a 'high-level group' convened for that purpose.[174] The adopted decision created the fund in formal terms and roughed out its objectives, but left the most contentious issues, such as the size and financing of the fund and its governance, open to further discussion (CMC 2004c).

A third and final phase of negotiations in 2005 was dominated by the discussions on the fund's share to be borne by each Mercosur state and the funds that would benefit each of them. This phase led to the approval of a decision in June 2005 (CMC 2005), once the presidents had found a compromise (Ruíz Díaz 2016: 57).

[174] This group consisted of representatives from the ministries of foreign affairs and economics and was chaired by the president of the newly-created Committee of Permanent Representatives of Mercosur (CRPM), former Argentinean president Eduardo Duhalde. This group met 13 times in total and developed the proposal for Mercosur's FOCEM between July and December 2004, where a final decision was expected to be taken by the Mercosur presidents. However, only a preliminary decision was approved at this time because the states could not agree on the fund's finances Ferretti(2013: 158); INTAL(2006: 76).

The account of the negotiations shows that there were specific turning points at which the general goal to establish some sort of compensation for the smaller countries matured considerably. Two of these turning points happened during the first phase of the negotiations: The first of them, when the Mercosur states agreed on setting up a fund, thereby modifying Paraguay's initial request for individual compensation measures but concurring with its push for solidarity. The second, when they decided to focus the fund on regions instead of states. A third turning point occurred during the final phase of the negotiations, when the arithmetics to replenish the fund and to distribute its resources were agreed upon. The process-tracing will concentrate on these crucial instances to analyse in how far EU experiences and influences may have shaped these decisions. The brief timeline below summarises the main steps of the negotiations.

Time	Event	Turning points
Feb '03	PGY proposal on asymmetries	(1) From compensation measures to regional fund (2) From states to regions
June '03	Presidents' mandate	
Oct '03	Special meetings of ministers (CMC) and senior officials (GMC)	
Dec '03	Mercosur summit / CMC creates requests studies on 'structural funds'	
	2nd phase of the negotiations	
July '04	Studies from Mercosur secretariat are presented	
July '04	CMC creates 'high-level group'	
Dec '04	Preliminary decision CMC 45/04 formally creates FOCEM	
	3rd phase of the negotiations	
Jan '05	GAN continues negotiations on size and funding	(3) Agreement on size and finances of the fund
June '05	Decision on size and funding sources is passed to the ministers and presidents	
June '05	CMC decision 18/05	
2006	FOCEM starts working, first project approved in 2007	

Table 6.6: Three turning points in the FOCEM negotiations

A look at the analysis of the EU instruments conducted in chapter 6.2 shows that the EU's most intensively used instrument, technical assistance, did not play a role in this

particular field.[175] There are also no signs, nor does it seem proportionate, that the EU would have attached sufficient political relevance to this matter as to use conditionality. We will therefore concentrate our analysis on the impact of lesson-drawing (H2), persuasion (H3) and emulation (H4).

Talking Mercosur into solidarity? – The role of EU persuasion

Some participants in negotiations and bilateral meetings report that the EU did at times highlight the need to establish some sort of solidarity mechanism between the Mercosur states. EU interlocutors would mention the EU's structural funds as an example, highlighting the positive role that these had played to narrow the gaps between newcomers and old member states [#01, former senior EU official; #28, former senior official of the Argentinean MFA; #56, senior official of the Argentinean MFA and #20, former senior official, MFA Argentina; #78, ambassador of a Mercosur state to the EU, see also quotes in Schünemann 2008: 174–6]. According to one interviewee, these mentions never made it into the official agenda of meetings but were part of informal exchanges and conversations between the two sides [#28, *ibid.*]. While a participant from the EU recalls stressing the importance of convergence to his Latin American interlocutors [#01*, ibid.]*, other participants in the negotiations do not recall this as a topic that the EU would have consistently wanted to place on the bilateral agenda [#28*, ibid*; #56, *ibid.*].

A look at the further indicators also does not reveal any empirical evidence that would support the impact of persuasion, except for two indicators that are also consistent with other diffusion mechanisms: Quite clearly, the EU's experience in addressing structural divergences is significantly higher than that of Mercosur. Secondly, the fact that FOCEM is effectively working and was prolonged after its first 10 years (CMC 2015b) could indicate a genuine change of preferences and a long-term commitment to this change, but is also no sufficient indicator by itself. We can therefore conclude that there is no sufficient evidence that the EU could have talked Mercosur into stronger solidarity between its member states. The respective assessments are summarised in the table below. The ensuing section analyses in how far Mercosur drew lessons from EU experiences while setting up the fund.

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[175] Later on, once the fund was already established, the EU discussed with Mercosur to provide technical assistance for FOCEM (Comité de Cooperación Técnica del Mercosur (CCT) 2006: 4). This idea was not further pursued, instead best practices on the management of assistance projects were included in the programme for Mercosur's secretariat from 2008 on (Commission 2007g: 31–2).

Impact of persuasion on the creation of FOCEM	
Indicators (units of assessment in *italics*)	**Score**
predominance of the EU in **setting items related to institutional change** on the bilateral agenda as observed in **meeting agendas** and **interviews** with participants of meetings.	*0*
significance of EU **support to epistemic communities** that pursue an agenda oriented towards institutional change.	*0*
presence of **selective empowerment of political actors** that pursue an agenda oriented towards institutional change.	*0*
duration of a topic related to institutional change on the **bilateral agenda**.	*0*
significance of the difference in experience in regional cooperation / integration between EU and target.	*2*
presence of interaction in relatively unpoliticised and in-camera settings.	*0*
duration of behaviour by the target that is consistent with the institutional change, also across different contexts as observed in **political decisions** and commitment to the institutional change (e.g. in terms of **funding** and relevance in **policy-making**).	*1*
absence of the changed preferences from public debate, coupled with their *presence* in **interviews** with policy-makers.	*0*
Impact of persuasion scores as none (0-6) – moderate (7-11) – substantial (12-13)	**3** **None**
categorisation of *presence* and *absence* as yes (1) – no (0). categorisation of *predominance, significance* and *duration* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 6.7: Persuasion in the creation of FOCEM

Drawing lessons from EU experiences?

On the path towards FOCEM, studies and assessments were commissioned, presented and discussed at several points – either to convince more sceptical actors of the need to address the structural divergences in the region, to search for suitable instruments or to underpin pre-formed preferences with technical expertise. The mandate of the Mercosur ministers to "conduct studies for the establishment of [...] structural funds" (CMC 2003c) is the clearest indicator. But studies do also seem to have played a role in buttressing Paraguay's initial call for solidarity measures and in providing the smallest and economically weakest state in the region a leverage way beyond its own weight. In how far did these studies draw lessons from the EU's decades-long experience with structural funds and influence Mercosur's decisions? Where did EU experiences shape the negotiations?

Ahead of its presidency of the bloc in 2003 (i.e. during the first of the three negotiation phases described above), Paraguay commissioned a number of studies to demonstrate how large economic divergences between member states had a negative

impact on regional integration processes and on Mercosur in particular (Ruíz Díaz 2016: 54). One of these studies, which was published in a shortened version, shows how Paraguay's relative income had even decreased since the creation of Mercosur and proposes, among other, the establishment of a 'Mercosur Regional Development Fund' (Masi and Hoste 2002). It draws lessons both from EU as well as from Latin American development funds (Masi and Hoste 2002: 21–6).

Despite these initial ideas, Paraguay's first proposal to the other Mercosur states in February 2003 went a different way. It focused on achieving a differential treatment with unilateral benefits for itself and stayed short of proposing any general scheme for the whole region (INTAL 2006: 75; Vaillant 2008: 133; Gobierno del Paraguay 2003). Why Asunción chose this approach could not be determined.[176] Paraguay's push opened discussions for a general approach and prompted the other states to prepare their own plans (INTAL 2006: 75) – soon backed by a mandate from the presidents (Cumbre de Jefes de Estado Mercosur 2003d).

It was at a later stage when the EU's experience came into play. Detailed discussions took place at special meetings of the Mercosur foreign ministers in October 2003 and, a month later, of the GMC senior officials (GMC 2003b; CMC 2003b; Secretaría del Mercosur 2003). At this point, Paraguay's initial requests for unilateral privileges were challenged with alternative proposals from Uruguay and especially from Argentina. While Uruguay also asked for unilateral benefits for its economy, Argentina's proposal foresaw the establishment of a regional programme – and referred to the EU's structural funds as one possible blueprint [#17, *ibid.*]. Also Paraguay presented now a proposal for the establishment of "structural funds", largely building on the studies it had already prepared in 2002 (Ruíz Díaz 2016: 55). Brazil agreed to this approach (GMC 2003b: 4). According to participants in the meeting, the experience of the European structural funds played an important role here. It served to convince Paraguay and Uruguay that they would also benefit from an approach that was not specifically directed at them and that did not foresee any immediate trade easements. The two small Mercosur members remained sceptical, aware that such a scheme required financial contributions from all member states [#17, *ibid.*]. Still, Brazil and Argentina made clear that they preferred a regional programme

[176] Possibly, Paraguay sought to offset non-tariff trade barriers by Argentina and Brazil as directly as possible.

instead of unilateral benefits and set the course for the further negotiations [#28, senior official, Argentinean MFA; #17, *ibid.*; GMC 2003a]. In sum, we observe that the large Mercosur states recurred to the recognised example of the EU structural funds to shape the negotiations towards their preferred outcome, avoiding unilateral preferences for Paraguay and Uruguay.

In the further course of the negotiations, Uruguay advocated for regions as beneficiaries of a structural fund instead of a distribution between states (GMC 2003b: 4). This opened the path for an agreement with the large countries, which would now also be in a position to profit from the fund. Here as well, the EU's structural funds played an important role as source of inspiration. As reported by participants in the negotiations, the EU funds and their orientation along regions as well as their principle of co-funding served to move the discussion from its focus on redistribution between large and small states to a discourse that emphasised support to less-developed regions – the second turning point in the negotiations. This was especially important to secure Brazil's support, which has the largest economy but also some of the poorest regions in the bloc [#17, *ibid.*; #28, *ibid.*].

With these two main parameters – the establishment of a fund and its focus on regions – agreed upon, the ministers gave the go-ahead for the second phase of discussions. Borrowing an EU term, they requested options for the establishment of "structural funds" (CMC 2003c) and soon installed a 'high-level group' to elaborate a proposal (CMC 2004b). Mercosur's secretariat undertook the requested studies. These looked at how other regional integration processes tried to reduce structural asymmetries (CMC 2004a; Secretaría del Mercosur 2004b), on the decision-making processes that governed such schemes (Secretaría del Mercosur 2004c) and even on the possibility to draw own resources to finance the funds (Secretaría del Mercosur 2004a). Especially the first two studies spent most effort surveying the EU's structural funds, their setup, their objectives and their functioning, also in terms of how to define benefitting regions. In the same vein, the coordinator of the 'High-level group on structural convergence and financing of the integration process', Eduardo Duhalde, reports to the presidents that a fund "like the ones used by the European Union" would be an objective for Mercosur together with the long-term goal of a regional development bank (Duhalde 2004a: 3).

Over the course of the negotiations, a split occurred between the smaller countries on one side and Argentina and Brazil on the other. While Uruguay and Paraguay wanted to agree on the specific programmes and objectives of the fund, the large states wanted to discuss its funding first (INTAL 2006: 76). By then, discussions in the 'high-level group' had reached almost disruptive heights, with some participants, for example Argentina, proposing that Mercosur should start levying own resources to finance the fund (Ferretti 2013: 159; INTAL 2006: 76). The statements from participants and Duhalde's report from the negotiations show that the smaller countries prevailed. They used the argument that establishing the objectives of the fund was a technical matter and recurred to some of the priorities, such as infrastructure spending, that were deemed to have helped new EU members narrow their gaps to old member states [#25, *ibid.*, #17, *ibid.*; Duhalde 2004c]. A participant in these negotiations recalls that large parts of the talks were of a technical nature, characterised by the rational weighting of different alternatives. It was especially in these contexts, in which she recalls resorting to foreign examples [#17, *ibid.*].

According to a Brazilian diplomat who took part in this second phase of the discussions, negotiators looked at the EU especially at the beginning of the talks. He recalls that at specific moments of the negotiations, referring to the EU as a model had built confidence among the sceptics, for example while the larger states were pleading for a regional scheme instead of granting unilateral preferences to Uruguay and Paraguay. Over the course of the negotiations, as discussions became more political and less technical, the participants did recur less and less to the EU – or to other examples such as those in the region [#25, *ibid.*]. In line with this development, also the name given to the fund changed from the EU-reminiscent term 'structural funds' to convergence funds.

It was at this time, at the end of 2004, when the discussions inside the 'high-level group', has reached a point that required political decision-making. While the group had come to a proposal for the fund, it could not agree on its size and the shares to be borne by each state (Duhalde 2004b: 2). In a short – but symbolically important – decision, the ministers agreed to create the FOCEM in formal terms and to decide upon the remaining issues over the next months (CMC 2004c), thereby starting the third phase of the negotiations.

In line with the decreasing role of the EU's blueprint over the course of the negotiations, no evidence could be found for an EU influence on the last turning point: the

size of the fund and the sources for its funding. These decisions were taken by the ministers and – ultimately – by the presidents of the Mercosur states (Duhalde 2005: 4–5). The presidents set the size of the fund at 100 million US$/year and decided that Montevideo would become the seat of its small secretariat. Paraguay, which had fought for a larger fund and Asunción as its seat, was compensated by increasing its share beyond the 36 % planned up to 48% percent – at the expenses of Argentina and Brazil (Ruíz Díaz 2016: 56–7). The contributions to the fund were agreed upon on the basis of long-term GDP shares, a proposal that had been made by Paraguay in the 'high-level group' (Ruíz Díaz 2016: 56; Ferretti 2013: 159; Rojas de Cerqueira César, Gustavo 2015). These agreements were cast into a decision of the Mercosur Council in June 2005 (CMC 2005).

Summing up the different phases of the negotiation and moving to the assessment of the lesson-drawing indicators, we observe that studies and analyses commissioned by individual member states (Paraguay and Argentina) or by Mercosur as a whole played an important role in the course of the discussions. Accordingly, we score the number of analyses commissioned as 'substantial'. These studies most prominently looked at the European structural funds for inspiration, often elaborating which elements of the funds could be applicable for the whole region. EU experiences played a traceable role in two of the three turning points of the negotiations: the decision to establish a regional scheme instead of individual compensations and to address regional development instead of whole states. It also seems to have played a role in pushing the negotiators to agree on the objectives of the fund before agreeing on its financing. In all three instances, participants in the negotiations described the EU's influence as a confidence-building or guiding factor for the talks.

These influences occurred without any direct incentives from the EU to behave in such way; we therefore score this indicator in our assessment as 'none'. In the same vein, the initiative to study the EU's experience or to refer to it during the negotiations or in public statements clearly came from the respective Mercosur actors. Despite this, we do not see any salient attempts to specifically study foreign or EU experiences in a detailed manner or to involve experts on EU structural funds. Instead, the analyses evaluated were

rather general and often looked also at other sources of inspiration, such as the development banks and programmes of Latin American regional organisations (e.g. Masi and Hoste 2002). We therefore score the predominance of Mercosur's initiative as 'moderate'. Neither our interviews nor the documents analysed show specific evidence for an adaptation of an EU template to Mercosur's conditions. The fact that a Mercosur fund would not resemble the EU structural funds in terms of size and functioning in any close future was out of question and did not play a role in the negotiations. We therefore score the indicator 'adaptation of foreign templates to local conditions' as 'none'. Finally, the decision to create FOCEM was clearly grounded on a functional reasoning: reducing the large disparities between the Mercosur states. Several alternatives were discussed to address this problem, ranging from unilateral benefits for individual countries, over a regional fund to the establishment of a development bank. However, the weighting between these alternatives was motivated by the financial preferences and possibilities of the member states rather than by reasonings about their effectiveness. We therefore assess the predominance of functional reasons in the justification of institutional change as 'moderate'.

In conclusion, we observe a substantial impact of lesson-drawing from the EU during the negotiations for the set-up of FOCEM. Table 6.8 below sums up the assessment of the individual indicators. It is interesting to see that the role of the EU's experience decreased the more political the discussions became – up to the point of playing no identifiable role in the bargaining on the size and quotas for the beneficiaries of the fund. In conjunction, it seems that the EU's impact on these negotiations resulted mainly from its recognised role as a front-runner on regional policy and on the appeal of established terms such as 'structural funds'. This may hardly seem surprising in light of the EU's track record in this field, but it also shows that EU influence was limited to the technical level of the negotiations.

Impact of lesson-drawing on the creation of FOCEM

Indicators (units of assessment in *italics*)	**Score**
relevance of EU incentives specifically directed at the observed institutional change as evidenced in **documents**, **interviews** with actors from the EU and its counterpart.	*2*
predominance of initiative by the EU's counterpart as evidenced in documented or reported **requests**, **public discussions.**	*1*

number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in **documents** or **interviews.**	*2*
adaptation of foreign templates to local conditions as a result of functional considerations, manifested in technical **documents** or **interviews**.	*0*
predominance of justifications of the institutional change with functional reasons and/or weighting of alternative policies evidenced in **official documents, public statements or interviews.**	*1*
Impact of lesson-drawing scores as none (0) – moderate (1-5) – substantial (6-9)	**6** **Substantial**
categorisation of *adaptation* as yes (1) – no (0). categorisation of *predominance* and *number* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found. categorisation of *relevance* as none (2) – moderate (1) – substantial (0).	

Table 6.8: Lesson-drawing in the creation of FOCEM

The appeal of EU structural funds - Emulation

Several pieces of evidence mentioned in the analysis of the lesson-drawing hypothesis above diminish the likeliness that the emulation of an EU template played a role in the creation of FOCEM. In line with the decreasing relevance of EU structural funds over the course of the negotiations, we also do not observe any prominent references to the EU to vindicate the creation of FOCEM. While also other instruments, such as a regional development bank, would have been suitable to reduce the asymmetries between the Mercosur states, nothing in the negotiations reveals that functionally more adequate alternatives had been present and not adopted. Instead, the adoption of the fund makes sense as a functionally fitting, more affordable solution that only requires small institutions. We therefore score these two first indicators for emulation as 'none'.

Following a positive assessment of its first decade, FOCEM has recently been prolonged for another ten years until 2026 (CMC 2015a). Despite delayed or even lacking contributions from some member states, the fund is active and has financed more than 50 projects to date (FOCEM 2017). Consequently, we can also not identify a lack of assessment of FOCEM's effectiveness nor that it had been put into place without being used. Furthermore, the assessment of lesson-drawing has shown that there was a functional motivation to install this instrument: the large economic divergences between Mercosur's member states. Only one indicator consistent with emulation applies to the creation of FOCEM: the lack of clear performance indicators for the fund. When the fund was

prolonged, the states did not assess whether it had actually contributed to reduce their development gaps. All effects of the fund are only surveyed on the project level (FOCEM 2017). In sum, all analysed indicators except the lack of precise performance indicators point that Mercosur had not sought to emulate the EU structural funds. This assessment is summarised in the table below.

Impact of emulation on the creation of FOCEM

Indicators (units of assessment in *italics*)	**Score**
predominance of **prominent references** to the success of the adopted institutional change elsewhere	*0*
presence of functionally **more adequate and known alternatives** to the change adopted	*0*
adoption of EU-promoted institutional change **without its application in practice**	*0*
adoption of institutions **without a thorough assessment** of their effectiveness	*0*
absence of **a functional motivation** for the institutional change	*0*
presence of **ambiguous goals and performance indicators**	*1*
Impact of emulation scores as none (0-3) – moderate (4-5) –substantial (6-7)	**1** **None**
categorisation of *adoption*, *absence* and *presence* as yes (1) – no (0). categorisation of *predominance* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 6.9: Emulation in the creation of FOCEM

Synthesis

Assuming that solidarity between the member states was necessary to further integrate the common market, the creation of FOCEM in 2005 broke with a decade-long tradition of half-hearted integration within Mercosur. The introduction of a proportional burden-sharing for FOCEM's budget was equally innovative in a region that hitherto adhered to the principle of equality between states. This approach was later taken over for a number of further Mercosur institutions. In terms of our assessment, the creation of FOCEM represents a substantial institutional change.

Drawing a conclusion across the mechanisms analysed, we can summarise that the EU did influence the creation of FOCEM. Its impact worked through lesson-drawing, i.e. as a result of Mercosur's own initiative. No sufficient empirical evidence could be found for an impact through EU persuasion or as a result of a legitimacy-seeking emulation from Mercosur.

EU experiences and templates were the main source of inspiration Mercosur's experts and negotiators drew upon when sketching out the main features of the fund, but not the only one. The EU's structural funds had a decisive influence on two of the three turning points of the negotiations. In most cases this influence came into play whenever one of the sides in the negotiations was looking for a reputable example to convince the other of its propositions. The EU structural funds worked as a reference and confidence-building device.

However, the EU's influence was certainly lower than what could have been expected in a field in which it doubtlessly is the most experienced regional integration scheme worldwide. The reasons for this relatively limited influence may well lie in two main factors. On one hand, the EU promoted its own experience in addressing European structural divergences, but there is no proof that it had actively sought to transfer specific institutional solutions or patterns. It behaved as a benevolent observer. Even accounts from settings in which the EU was most active suggest that it restrained itself. At most, it highlighted the importance of a certain degree of social cohesion for successful regional integration. There is no evidence that it had either pushed for such reforms or actively supported them through assistance, political backing or even financially. Secondly, it is remarkable that EU influence was limited to mostly technical spheres. In a post crisis-setting in which Mercosur looked for innovative approaches to further integrate its markets and reduce the differences between its member states, the EU and its structural funds were the standard to look at and a reference to which proponents could resort to convince more sceptical actors. As long as the negotiations dealt with specific instruments and measures to address structural divergences and negotiators looked for examples, the EU's solutions were an almost inescapable blueprint. As soon as the negotiations moved on to a more political level, the EU's influence diminished.

Beyond their structural divergences, reaching a fairly homogenous market within the Mercosur economies was and (and still is) compromised by their strong macroeconomic instability. Building a macroeconomic convergence regime was one of the attempts to address this issue. The following section will analyse in how far EU influence played a role here.

6.3.2 *Building a macroeconomic convergence regime for Mercosur – escaping a prisoner's dilemma?*

Macroeconomic instability, high inflation and the contagion of virulent economic crises from one neighbouring state to the next have characterised the economic history of the Southern Cone for decades.[177] While all four Mercosur economies are highly dependent on external factors such as the fluctuations in commodity and credit markets and the economic situation of their largest international trade partners (the EU, US and increasingly China), harmful intra-regional dynamics exacerbate these dependencies. Despite a relatively small share of intra-regional trade[178], the Mercosur states have been dragging each other into severe crises with quite some regularity. Most frequently, the small and especially trade-dependent Paraguay and Uruguay have had to suffer the impact of the crises of their two larger neighbours, but also Argentina and Brazil have regularly pulled each other into economic turmoil (Rozenwurcel 2014: 14–7). Coordinating their macroeconomic policies would ease this burden for all Mercosur states by increasing predictability and the attractiveness of the regional market as a place for investments.

In fact, Mercosur states committed to coordinate their macroeconomic policies already in the very first article of Mercosur's founding treaty, setting themselves a rather ambitious mandate to align fiscal, monetary, exchange-rate and capital policies (Asunción 1991b: Art. 1). Well aware of the relevance of monetary and exchange-rate policies, the governments also included representatives of the central banks in Mercosur's decision-making structure (Asunción 1991b: Art. 14). Despite this promising start, Mercosur did not implement this commitment or agree on any specific measures for almost a decade. And the role of the central bank governors in Mercosur's Common Market Group (GMC in its Spanish and Portuguese acronym) is described as "anecdotal at most" by a close observer of the matter [#22, Professor Universidad San Martín and Universidad Buenos Aires and consultant].

The main reason for this hesitance can be described with an analogy to a prisoner's dilemma. The 1998-2002 crisis is certainly the most prominent case in point: Brazil's unilateral decision to devaluate its currency in 1999 provided its ailing economy with a gasp

[177] Roughly the same applies when including Venezuela, albeit its position as an oil-producing country and its large imports place it in a special situation.
[178] 15-20 % in average over the last 20 years, with a peak of around 25 % in 1997-1998.

of relief. But this decision had a severe effect on Argentina's competitiveness, whose 2001 default in turn impacted heavily on Brazil and the two other states.[179] All Mercosur states would have profited from a coordinated approach, but each individual state (especially Argentina and Brazil) would have seen reduced its options to unilaterally react to future crises.[180]

Despite this dilemma, Mercosur did finally agree on several coordination measures from the 2000s on. How did this change come about? And in how far did the EU play a role in these reforms? The following paragraphs will first assess the degree of institutional change (dependent variable) and briefly describe the context and domestic incentives at that time before process-tracing to what extent EU instruments (independent variable) played a role in these reforms.

Overcoming the prisoner's dilemma? – Institutional change

1999 and 2000 saw the start of a number of initiatives aiming to increase macroeconomic coordination. A 1999 decision by the Mercosur ministers to translate the general agreement on macroeconomic coordination into (slightly) more specific tasks marked the go-ahead (Conselho do Mercado Comum 1999). The years 1999 to 2002 saw Mercosur moving from no coordination at a relatively advanced level: mutually agreed macroeconomic goals.[181] Even if member states have never surrendered their right to take unilateral decisions, this change is remarkable in the above-mentioned context.

What triggered this change? Following a Brazilian and Argentinean initiative, the year 2000 saw the first specific agreements in the field of macroeconomic convergence.

[179] See the data presented in Rozenwurcel(2014: 11).

[180] Argentina's decision to manipulate its inflation data from 2007 on is probably the most blatant example of a unilateral reaction to a crisis that would become very costly under a functioning regime of macroeconomic coordination with harmonised statistical data.

[181] Different degrees of macroeconomic coordination exist in theory. On a most basic level, policy-makers may regularly exchange information and thereby contribute to more informed unilateral decisions. Going further, states may commit to take certain decisions, like devaluating their currency, only after consulting with partners. Numerical macroeconomic goals or corridors, such as keeping inflation rates under a specific threshold, are a third step and aim at increasing predictability and confidence. Exchange rate agreements, up to the definition of specific parity rates, like in a monetary union, are the strongest form of macroeconomic coordination. Each of these steps trades in decision-making autonomy for the promise of a more stable and predictable macroeconomic environment.

Taking up the input from the economy ministers and central bank presidents, the Mercosur governments agreed to harmonise statistical data for the most important macroeconomic indicators and created a Macroeconomic Monitoring Group (GMM in its Spanish acronym). Consisting of officials from the finance and economy ministries and from the central banks, this group meets every three months to assess the consistency of statistical data and to keep track of member states' performance (CMC 2000a; El Mercurio 2000). Just a few months later, the presidents of the Mercosur states and of the associated Bolivia and Chile spelled out specific macroeconomic targets (Mercosur *et al.* 2000). Similarly to the 1991 Maastricht criteria, these defined thresholds for the debt to GDP ratio, inflation and deficit rates. While in this first agreement, the correction of deviations relied on self-commitments, a 2002 update of the agreement introduced a pre-defined reduction path for inflation (Reunião de Ministros da Fazenda 2002e; GMM 2011a: 2). Explicitly referring to an EU assistance programme, a 2011 decision further updated the GMM, specifying its mandate and adding permanent working groups to monitor fiscal, monetary and balance of payments data (CMC 2011).

Macroeconomic coordination requires comparable statistical data, which was not available at that time since the Mercosur states applied different standards and definitions. The development of common standards for statistical data was therefore closely related to the efforts above. Before and after the instauration of the GMM and the agreement on macroeconomic goals, Mercosur states ran different capacity-building programmes in statistics. On this basis, the GMM began to publish macroeconomic indicators from 2008 on (GMC 1997). Experts from the national statistics institutes developed common definitions for some of the most important macroeconomic variables and regularly meet in a 'Specialised meeting for Statistics in Mercosur' since 2010 (GMC 2010). In 2012, the GMM started a system to monitor macroeconomic indicators with a view to identifying fields in which a stronger macroeconomic coordination could be achieved (Gasparini 2012: 15–6; MercoPress 2011).

In sum, these decisions created new rules to operationalise the so far diffuse commitment to macroeconomic coordination and installed a new actor, the GMM, to monitor compliance with these rules. We therefore score the two respective dimensions of institutional change – actors and decision-making – with '1' each. Despite these commitments, the reforms did not increase competences for Mercosur institutions or the

GMM, leaving it to the member states to assess their own performance at regular meetings and to propose measures to meet the convergence targets (Mercosur *et al.* 2000: 2–3; see the meeting records published on the GMM website GMM 2002-2016). Accordingly, we score institutional change in this dimension as 'none'.

The above-mentioned reforms laid the base for a closer macroeconomic coordination between the Mercosur states, but Argentina's manipulated inflation data also shows that Mercosur has no handle to influence or sanction the behaviour of its member states beyond a hesitant 'naming and shaming': during the last years it simply stopped publishing Argentina's data (see the data published on the GMM website). In terms of our assessment of the dependent variable, these reforms imply a 'moderate' institutional change. Although two out of four dimensions of institutional change saw considerable change, the core function – macroeconomic coordination – was already enshrined in Mercosur's founding treaty. Table 6.10 below sums up this assessment.

Dimensions of institutional change	**Change indicators**	**Score**
Core function	No change, commitment to macroeconomic coordination existed already in the Asunción Treaty	0
Actors	Meeting of ministers and CB presidents created in 2000, creation of the GMM in 2000, creation of a coordination meeting of statistics experts in 2010.	1
Decision-making	Creation of rules that define • specific goals for macroeconomic convergence, • deviations from these goals, • how to react in case of deviation and • a reduction path for inflation (added in 2002).	1
Competences	Competences are limited to the publication of macroeconomic data ('naming and shaming')	0
Institutional change – macroeconomic coordination in Mercosur		**2 Moderate**
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.		

Table 6.10: Institutional change in Mercosur's macroeconomic coordination

Insufficient as they may have proven in practice, the reforms mentioned above put an end to a decade of stagnation in terms of macroeconomic coordination in Mercosur. Cooperation sparked in a field in which Mercosur states were trapped in a prisoner's dilemma where not cooperating is the expected outcome. The analogy of the prisoner's

dilemma, where access to external information can solve the coordination problem, raises the question whether the EU's intervention may have tipped the balance from uncooperative to cooperative behaviour. To find out, the remainder of this section first assesses the most immediate context of the institutional change and process-traces the effect of the EU's activities along the causal mechanisms hypothesised in our theoretical framework.

Context and domestic incentives – macroeconomic convergence in a region of spoilers

Despite its commitment to macroeconomic coordination in the early nineties, almost a decade passed until Mercosur took the first timid steps described above. The reasons for this delay may well be seen in the fact that, despite its expected positive returns, conditions for macroeconomic coordination are all but inviting. The extreme disparities between the Mercosur states already made it difficult to form a relatively homogenous economic space in the beginning. In addition, the four initial Mercosur members have been growing apart in terms of per capita GDP ever since and also the income distribution inside most of the member states has continued to spread (Albrieu 2009: 83–4). And most importantly, the individual states have regularly used their macroeconomic levers to lessen the impact of crises at the expenses of their neighbours (Amann and Baer 2014: 330–2 provide several examples beyond the already mentioned 1999 Brazilian devaluation) – spoiling any options for a regionally harmonised response.[182]

Used to being dragged into crises by their larger neighbours, Paraguay and Uruguay were always more positive towards a rule-based macroeconomic coordination in the region [#22, *ibid.*; #47, senior official MFA Uruguay; #16, former senior official, Paraguayan Ministry of Finance]. This is not surprising, as their capacity to unilaterally react to crises is much more limited than that of Argentina or Brazil. But also the larger countries have had a motivation to engage in macroeconomic coordination, usually in the aftermath of crises. In fact, accounts of the events in 1999 indicate that Argentina took the political initiative to push for the reforms that led to above-mentioned institutional change. It first sought an agreement with the more hesitant Brazil (Graça Lima 1999; Agência Folha 1999; Cortina 1999) and then a common understanding with all Mercosur states (Schemo 1999; Illiano

[182] In addition to the difficulties mentioned, the parity of the Argentinean peso to the US dollar until 2002 made a monetary coordination very improbable.

1999; CMC 1999). The commissioning of several reports by the Argentinean government in 2003 to assess the feasibility and possible scenarios for macroeconomic coordination further testifies for its intellectual leadership in this field (Centro de Economía Internacional Ministerio de Relaciones Exteriores, Comercio Internacional y Culto 2003).

Argentina's motivation to take the initiative and break out of this coordination problem may well have been to at least partially shift the blame for its severe economic crisis on the regional context and more specifically on Brazil. As Argentina's economic situation kept deteriorating in the end of the 1990s, reminding both the electorate and the international public that Brazil's unilateral devaluation had accelerated Argentina's demise was a plausible strategy for the government in Buenos Aires. As a former Argentinean vice-president put it, "the government felt the need to contextualise what was happening in Argentina in the broader regional context, to learn from these events as a region" [#77, *ibid.*]. In fact, the size of the Brazilian economy – four times as large as the Argentinean around the 2000s – and Argentina's dependency on exports to Brazil (approximately 30 %, Taccone and Nogueira 1999: 43) substantiate this claim.

In any case, the fresh impetus on macroeconomic cooperation coincides with a major crisis, supporting our expectation that crises can be important scope conditions, representing 'critical junctures' at which political stalemates may be overcome. In this specific case, the crisis affected Argentina to an extent that it was, at least rhetorically, not only willing to give up its hesitance against macroeconomic coordination but to advocate for it against Brazil. The following paragraphs will analyse in how far this crisis also allowed for external, particularly European, influences to stimulate regional debates and decisions more strongly than before.[183]

When time is ripe - EU influence on Mercosur's macroeconomic coordination

A look at the different EU technical assistance programmes for Mercosur analysed in chapter 6.2 and listed in Annex C reveals that the EU and Mercosur cooperated on macroeconomic coordination and related fields already before the macroeconomic crisis hit the region in the turn of the 2000s. Interviews with EU representatives show that at least

[183] The renewed emphasis did not take place once the crisis had cooled down, but in its peak. This may support the argument that the Argentinean initiative was a mainly political move.

individual officials used the increased dialogue with Mercosur after the signature of the Interregional Framework Cooperation Agreement in 1995 to discuss this field with their counterparts [#01, former senior EU official] and cooperation in statistics was one of the fields highlighted in the agreement (IFCA 1996: Art. 8). Studies commissioned by the Argentinean government and statements by prominent decision-makers such as Brazilian President Fernando Henrique Cardoso (Aith 1999; Cardoso 2001: 189) provide a hint that Mercosur looked at the EU's example to guide its own efforts. In light of these precedents, the next paragraphs will concentrate on tracing the impact of assistance (H1b), lesson-drawing (H2), persuasion (H3) and emulation (H4) to analyse the EU's possible influence on macroeconomic coordination.

The impact of EU assistance in statistics and macroeconomic coordination

EU assistance programmes focused both on a prerequisite for macroeconomic coordination, creating comparable statistical data, as on coordination instruments themselves. The EU financed two 'Statistical Harmonization' projects that spanned from 1997 to mid-2003 and from 2007 to 2011 respectively, and a programme on 'Assistance to Macroeconomic Monitoring in Mercosur', running from 2009 to 2011.

Laying the ground – statistics for Mercosur

The first of the two statistics programmes focused on transferring technical expertise and acquainting the region to the European model of national statistical institutes with a coordinating and leading regional institute, Eurostat (see for example Cooperación Estadística UE-Mercosur, Codirección Mercosur 2001b; Riestra and Goes 2003). The objective was to harmonise statistical data and practices in different fields including macroeconomic, trade and financial indicators (CMC 1997: 256–60; Ugarte *et al.* 2004b: 1–2). While individual parts of the project were seen as successful both by Mercosur representatives [#58, former official at the Argentinean Ministry of Finance; Informe 2002b] and by an evaluation commissioned by the EU (Ugarte *et al.* 2004b: 3–7), its impact in terms of institutional change was limited. The project connected the hitherto dispersed national statistics institutes in the region (Informe 2002b; Convenio 2003a) and put the creation of a regional statistics institute on the agenda, albeit only for a short time [Ugarte *et al.* 2004b: 4-5; #58, *ibid.*].

The lack of further results may well be related to the fact that the project was not rooted in Mercosur's own demands but designed by the European Commission and Eurostat to spread a knowledge and experience they assumed to be relevant for the region. This fitted well in an existing Eurostat policy to disseminate its expertise (Eurostat [2009?]). Both Mercosur's and the EU's own internal evaluation (Comité de Cooperación Técnica del Mercosur (CCT) 2005a: 20, 22) as well as interviews with an EU official overseeing Mercosur cooperation at that time [#13, former official at the Uruguay delegation] and Mercosur representatives [#58, *ibid.*; #16, *ibid.*] substantiate this, up to the extent of arguing that "statistical harmonization appeared on the co-operation agenda only because the EC was interested in transferring its experience in this field" (Ugarte *et al.* 2004b: 2). Despite the political commitment expressed by Mercosur presidents at their 1998 summit to "work on the harmonisation of macroeconomic policies and consider further aspects that might in the future facilitate the establishment of a common currency" (CMC 1998: 2), the EU's evaluation concluded that that Mercosur saw "neither the political will nor the need to present harmonized statistics" (Ugarte *et al.* 2004b: 5).[184] This contrasts with the very positive assessment of the immediate beneficiaries, the national statistics institutes (cf. Informe Ejecutivo 2002c), showing indeed that the initiative lacked sufficient political support and ownership at the decision-making levels.

The second statistical harmonization programme found a more receptive political context influenced by the 1999/2000 political decisions to strengthen macroeconomic coordination. In fact, Mercosur was eager to initiate the cooperation programme as soon as possible and presented different proposals to prolong the previous statistics programme (Estadística 2001b) – also as a means to secure funding for its national institutes (Comité de Cooperación Técnica del Mercosur (CCT) 2005a: 18). The EU was more hesitant and wanted to focus on the politically more audacious macroeconomic coordination. It argued that Eurostat did not anymore have the capacity to assist Mercosur (Comité de Cooperación Técnica del Mercosur (CCT) 2004a: 6; 2003b: 4) – possibly a result of a reduced interest of the Commission's statistics office to propagate its accomplishments. Despite Mercosur's strong interest, it took several years for the project to actually start, among other reasons

[184] Mercosur's own evaluation was more positive, but also highlights that the impact at the regional level was limited (Comité de Cooperación Técnica del Mercosur (CCT) 2005a: 5–8, 22).

because Uruguay lacked sufficient funding to coordinate the programme and passed it on to Argentina (Commission delegation to Uruguay and Paraguay and Hanna 2006). The programme ran from 2007 to 2011 and focused on harmonising national statistics in the social and economic fields. Now, its design took into account the requirements of Mercosur's macroeconomic coordination regime (Commission delegation to Uruguay and Paraguay 2003: 4).

In contrast to the first programme, this time both Mercosur and the EU saw positive results. According to their respective evaluations, the project established a regular cooperation between the national statistics offices (Buchet and Rua Boiero 2012: 18), contributed to reducing the divergence in their capacities (Grupo de Cooperación Internacional del Mercosur 2012: 2; Buchet and Rua Boiero 2012: 18, 41-42) and increased the perception that harmonised statistical data were important to advance in Mercosur's integration (Buchet and Rua Boiero 2012: 49). Unlike the previous programme, this project also led to the creation of a permanent institution for the regular coordination between the national statistics institutes in 2010. The 'Specialised Meeting for Statistics in Mercosur' still operates nowadays and maintains a small permanent secretariat in Argentina (Reunión Especializada de Estadísticas del Mercosur 2016; Grupo del Mercado Común [2013b]). Regularly requested by the EU as part of the first statistics programme (Ayuda Memoria 2001a: 3; 2002c: 5; Cooperación Estadística UE-Mercosur, Codirección Mercosur 2001a: 5), it was finally installed as part of the second programme (Buchet and Rua Boiero 2012: 52–3).

A technicality becomes a political priority - Macroeconomic coordination

Why was this second project more effective in achieving institutional change? Why was it considered more successful by both EU and Mercosur? The political priority given to macroeconomic coordination from 1999 on, the connection of the second project to this priority and Mercosur's initiative in proposing the continuation of statistical cooperation to the EU indicate that regional ownership was higher during the second programme. This was confirmed in interviews with involved Mercosur actors [#58, *ibid.*, #16, *ibid.*]. In parallel to the definition of this programme, negotiations to involve the EU in Mercosur's efforts for macroeconomic coordination had begun in 2003 (Grupo de Monitoreo Macroeconómico del Mercosur 2011a: 3). All this contributed to position a relatively technical matter in a politically relevant context.

Nonetheless, the initiative for a project to enhance Mercosur's macroeconomic coordination and the first ideas were still provided by the European Commission. It emphasised this idea during the participation of then Commissioner for Economic and Monetary Affairs Pedro Solbes at the meeting of Mercosur Economy Ministers and Central Bank Presidents (Faull 2000). The EU was eager to transfer its experience in macroeconomic coordination (such as the Excessive Deficit Procedure), in developing a currency union, liberalising capital markets and creating a common market of financial and banking products and proposed such programmes already in early 2000 (DG ECFIN 2002 [2000]: 2–3).[185] A detailed project plan developed by the Commission in 2003 took up these headings and highlighted five fields in which the EU would support Mercosur: harmonization of macroeconomic statistics (closely related to the above-mentioned second statistical harmonization project), defining targets for convergence, mechanisms to ensure compliance with these targets, developing fiscal indicators, and strengthening central bank independence (along the EU's experiences with the Maastricht Treaty and its protocol on the ECB and the European System of Central Banks). While seen as 'over-ambitious' at first by Mercosur (Ministerio da Fazenda Brasil 2004: 1), most of these more detailed proposals were at least broadly aligned with the discussions held at the GMM (Commission delegation to Uruguay and Paraguay 2003: 3–9; Comité de Cooperación Técnica del Mercosur (CCT) 2005b: 2–3).

Despite the positive political context and the EU's conviction that its proposal "was favourably received" (Faull 2000), Mercosur took some years to agree to the EU proposals on macroeconomic coordination, sparking the Commission's political pressure in form of letters to the Brussels-based Mercosur ambassadors (European Commission and Cardesa 2003) and repeated warnings that the funds foreseen could not be kept forever (Comité de Cooperación Técnica del Mercosur (CCT) 2004b: 3–4; 2005d: 3–4). During the time between the EU's first proposals in 2000 and the actual start of the project in 2009 (Ministerio de Economía y Producción and Delegación de la Unión Europea a Uruguay y Paraguay 2007; Grupo de Monitoreo Macroeconómico del Mercosur 2011a: 4) negotiations with Mercosur led to the gradual removal from the programme of the more far-reaching ideas of the EU,

[185] The EU proposal also led to the inclusion of articles on a regular macroeconomic dialogue and cooperation in statistics in the draft association agreement. These articles remain part of the current negotiation texts (European External Action Service 2016: Art. 36, 38).

including central bank independence and compliance mechanisms for macroeconomic deviations [Grupo de Monitoreo Macroeconómico del Mercosur 2011a: 4; Ministério das Relaçoes Exteriores and Subsecretaria Geral da América do Sul, Central e do Caribe (SGAS) 2004; PPTP 2005; #22, *ibid*.]. The final programme concentrated on more modest issues; in fact a large part of the project did still consist in improving Mercosur's statistical capacities – in parallel to the second statistics project mentioned above. Courses to encourage the transfer of European experiences played a role in all fields (Grupo de Monitoreo Macroeconómico del Mercosur 2011a: 4; Termansen 2010: 70–4).

The EU's support for macroeconomic cooperation had a lasting impact on Mercosur according to the evaluations undertaken by Mercosur itself and by the EU and to the impressions of involved officials from the Mercosur countries. Most importantly, it led to a decision by the Mercosur Council to further institutionalise macroeconomic coordination and maintain the different working groups created between officials of the Mercosur member states to align their respective statistics and macroeconomic policies [#56, *ibid*; #16, *ibid*.; #22, *ibid*.; Buchet and Rua Boiero 2012: 42, 48–49, 52; Grupo de Cooperación Internacional del Mercosur 2012: 2]. Maintaining this structure contributed to keeping the matter on Mercosur's agenda – including on issues on which a dialogue had not been possible before due to mutual mistrust (Buchet and Rua Boiero 2012: 48). In an exceptional acknowledgement, Mercosur's ministerial decision explicitly mentions the European cooperation project in its recitals (CMC 2011).[186] Beyond this, the project produced a number of statistical manuals and studies on macroeconomic harmonization, including on drawing lessons from European experiences (Grupo de Monitoreo Macroeconómico del Mercosur 2011b; 2011a: 4–5; Buchet and Rua Boiero 2012: 42).

Summing up the impact of all assistance projects, we can see that the modest degree of institutional change achieved was related to EU assistance. EU support first contributed to institutionalise the cooperation between the national statistics offices on a technical level and finally to establish a regular coordination between national authorities to align their policies in some macroeconomic fields. In the latter case, EU assistance surpassed the technical level and also had a political impact – with Mercosur ministers even explicitly referring to the EU's support as a motivation. Such emphasis is rare. Together with

[186] On a side note, it is also interesting that the reference to the EU was made at a time (June 2011) when the EU's track-record in achieving macroeconomic coordination was everything but undisputed.

the statements of interviewed Mercosur officials [#58, *ibid.*; #16, *ibid.*], this underlines that EU assistance triggered the institutional changes reflected above. We therefore assess the indicator 'explicit mentions of EU assistance' as 'substantial'. Moving to the second indicator, the relevance of EU assistance in shaping the design of the observed institutional change was more limited and is scored as 'moderate'. While the EU tried to promote 'European' institutional patterns, such as a regional statistics institute or a convergence path for macroeconomic deviations based on its Excessive Deficit Procedure, these more ambitious proposals did not find sufficient support among Mercosur states. Instead, Mercosur adopted more mainstream solutions, such as an institutionalised network of experts or guides to align local statistical practices to international conventions. Those institutional changes still operate nowadays – we therefore score the duration of EU-induced institutional change as 'substantial'. The assessment of the different indicators is summarised in table 6.11 below.

We can therefore confirm that the impact of EU assistance on Mercosur's reforms was 'substantial'. Quite interestingly, and beyond this assessment, we also observe a variation between the impact of the three EU-sponsored assistance projects in this field. While the very first statistics project did barely reach any significant institutional change, the second project and the support to the Mercosur Macroeconomic Monitoring Group did not only lead to institutional change, but it also achieved political salience. Our analysis indicates that this variation is related to the regional ownership enjoyed by the projects. The two later projects ran during a period when Mercosur states had agreed on reaching stronger macroeconomic coherence and especially the macroeconomic coordination project was subject to a longer negotiation that adapted the EU's proposals to the local agenda.

Impact of assistance on Mercosur's macroeconomic coordination regime

Indicators (units of assessment in *italics*)	**Score**
emphasis of explicit mentions of EU assistance as a trigger for institutional change in **speeches, statements, documents** or in **interviews** with EU counterparts.	*2*
relevance of EU assistance in the design of institutional change as reflected in **speeches, statements, documents** or in **interviews** with EU counterparts.	*1*
duration of institutional change created with EU assistance as reflected by **documents** from and in **interviews** with EU	*2*

counterparts.	
Impact of assistance scores as none (0) – moderate (1-3) – substantial (4-6)	**5** **Substantial**
categorisation of *emphasis*, *relevance* and *duration* as none – moderate – substantial with 'none' implying that no manifestation was found.	

Table 6.11: Assistance in the establishment of Mercosur's macroeconomic coordination regime

Winning Mercosur over? – EU persuasion

Mercosur's macroeconomic difficulties also played a role in the negotiations and the regular political contacts between Mercosur and the EU. While other topics, especially trade-related ones, always dominated the bilateral economic agenda, the need to find a way that would flatten the recurrent swings in their macroeconomic fundamentals was mentioned from time to time by EU representatives [#01, *ibid.*; #20, former senior official, MFA Argentina; #22, *ibid.*]. We do therefore analyse whether EU persuasion played a role in the establishment of Mercosur's macroeconomic harmonisation regime.

Our previous analysis of EU assistance in this field already points at several factors that would also be consistent with an impact of EU persuasion. Through its emphasis on statistical cooperation and macroeconomic coordination, the EU lifted cooperation on macroeconomic issues onto the regional agenda.[187] Despite this EU predominance, we also observed that Mercosur developed a genuine political interest in tackling these matters after the 1999 crisis (see page 194). We therefore rank the EU's predominance in placing institutional change on the bilateral agenda as 'moderate'. Through its support for Mercosur's national statistics institutes (Comité de Cooperación Técnica del Mercosur (CCT) 2005a: 5–7) and different courses offered through CEFIR on macroeconomic coordination in the EU [#09, CEFIR official] the EU helped to create a small epistemic community of technical experts in favour of policy coordination. It is still difficult though to ascertain an intentional strategy here and influence was limited to the expert level, without reaching politics. The significance of this EU support is therefore also ranked as 'moderate'. Quite clearly, the difference in experience in this particular integration field between the EU and Mercosur was and still is very 'substantial'. The fact that cooperation on macroeconomic matters remains part of the otherwise widely modified draft association agreement between the EU and Mercosur (EEAS 2016: Art. 36, 38) may be seen as a sign of a relatively

[187] A detailed internal study commissioned by the Commission to analyse policy options towards Mercosur did also include macroeconomic coordination as one of the fields of special interest to the EU (cf. Bouzas *et al.* 2002: 104-108, 437-453).

long duration of the matter on the bilateral agenda and enters our assessment with a 'moderate' score – moderate because no particular bilateral activity has taken place in this field since the end of the EU's technical assistance project in 2011.

No empirical evidence could be found for any of the further persuasion indicators. While macroeconomic coordination remains on the bilateral agenda, the behaviour expected from such institutional change has not been consistent. Argentina's doctoring of its inflation numbers from 2007 under the contemplative eye of Mercosur's macroeconomic 'watchdog' GMM is a clear example for this. In a case of persuasion, one would expect no public debate to have taken place on the institutional change. Quite to the contrary, Mercosur's move towards macroeconomic coordination was prominently discussed at the time. The respective presidential decisions and several press articles from 1999 and 2000 show this (Aith 1999; Cortina 1999; El Mercurio 2000; Illiano 1999; Schemo 1999). We can therefore conclude that EU persuasion did not have any impact on this matter, if it existed at all. The respective assessments are summarised below.

Impact of persuasion on Mercosur's macroeconomic coordination regime

Indicators (units of assessment in *italics*)	**Score**
predominance of the EU in **setting items related to institutional change** on the bilateral agenda as observed in **meeting agendas** and **interviews** with participants of meetings.	*1*
significance of EU **support to epistemic communities** that pursue an agenda oriented towards institutional change.	*1*
presence of **selective empowerment of political actors** that pursue an agenda oriented towards institutional change.	*0*
duration of a topic related to institutional change on the **bilateral agenda**.	*1*
significance of the difference in experience in regional cooperation / integration between EU and target.	*2*
presence of interaction in relatively unpoliticised and in-camera settings.	*0*
duration of behaviour by the target that is consistent with the institutional change, also across different contexts as observed in **political decisions** and commitment to the institutional change (e.g. in terms of **funding** and relevance in **policy-making**).	*0*
absence of the changed preferences from public debate, coupled with their *presence* in **interviews** with policy-makers.	*0*
Impact of persuasion scores as none (0-6) – moderate (7-11) – substantial (12-13)	**5** **None**
categorisation of *presence* and *absence* as yes (1) – no (0). categorisation of *predominance, significance* and *duration* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 6.12: Persuasion in the establishment of Mercosur's macroeconomic coordination regime

Learning from Maastricht? – Lesson-drawing

The assessment of EU assistance to Mercosur has shown that EU-Mercosur cooperation on macroeconomic coordination was mainly driven by the EU in the beginning. A strong ownership from Mercosur developed only after the Brazilian devaluation in 1999. This growing initiative raises the question whether Mercosur actively sought to draw lessons from the EU's experience in this field and whether it developed a sense of initiative.

Once especially Argentina's intervention had resuscitated macroeconomic coordination on Mercosur's agenda from 1999 on, the region actively sought to learn from the European experience. The Mercosur meeting of Economy Ministers and Central Bank Governors exceptionally invited then Commissioner for Economic Affairs Pedro Solbes to its October 31st 2000 meeting to present European experiences with macroeconomic coordination. This exchange followed on a workshop organised by Mercosur on 'Coordination and Convergence of Macroeconomic Policies: the EU's Experience" (Faull 2000; La Red 21 2000). Years later, similar events took place in 2011 and in 2012, now under the impression of the sovereign debt crises in the EU. To mention one example, a workshop on 'Challenges for financial integration – lessons from the European experience' highlighted that macroeconomic coordination as pursued in the EU might no longer be the model "along which Latin-Americans orient themselves" (Banco Central do Brasil 2012; Grupo de Monitoreo Macroeconómico del Mercosur 2011a: 3)[188]. This changed perception of the EU's role as a reference is also mentioned by several interviewees [#58, former senior official, Argentinean Ministry for Economic Affairs; #16, *ibid.*; #19, former senior official Mercosur Parliamentary Commission / Mercosur Parliament] and further sources (Gasparini 2012: 18–9). We see that these initiatives denote a significant interest from Mercosur, but also that they have to be seen in a specific time context; there is a clear shift between the pre- and post-1999 situation in terms of Mercosur's own initiative. Having this in mind, we assess the predominance of Mercosur's initiative as 'moderate'.

The commissioning of studies to assess foreign experiences with macroeconomic coordination would also indicate lesson-drawing. While individual studies were commissioned by the Argentinean government (e.g. Centro de Economía Internacional Ministerio de Relaciones Exteriores, Comercio Internacional y Culto 2003), no further assessments could be found (except those produced with EU support). We therefore assess

[188] Own translation from Portuguese.

this indicator as 'moderate'. Moving to our next indicator, the presence of EU-set incentives for institutional change, we can again rely on the results of our previous analysis. As mentioned above, the EU financed three projects to assist Mercosur in moving towards macroeconomic harmonisation, totalling up to 13 million € (see table C.3). As we have seen throughout the analysis, this assistance aimed specifically at establishing permanent institutions that would permit a stronger degree of coordination and even surveillance. We therefore rank the role of EU incentives as 'substantial'. When Mercosur agreed to establish a macroeconomic coordination regime in 1999, Brazilian president Fernando Henrique Cardoso referred to it as a 'little Maastricht' (Cardoso 2001: 189; Taccone and Nogueira 1999: 43). While the Maastricht convergence criteria were seen as a reference by those involved in the creation of Mercosur's harmonisation targets [#58, *ibid.*; #22, *ibid.*; Gasparini 2012: 13–4], there are no further signs that the EU's system had been taken as a template and adapted to Mercosur's needs (except for the very general fact that both arrangements define targets and thresholds for macroeconomic indicators). Instead, it rather seems that the reference to Maastricht served as a positively connoted code to explain the reform to the public, thankfully taken up by national and international media (e.g. Aith 1999; Lins da Silva, Carlos Eduardo 1999). In addition, it left open the question of a common currency for Mercosur – as Cardoso himself conceded (Cardoso 2001: 189).[189] We therefore score the indicator referring to the adaptation of foreign templates as 'no'.

As a last possible indicator for lesson-drawing, we investigated whether the introduction of Mercosur's macroeconomic convergence regime had been justified mainly with functional arguments and / or whether alternative policies had been assessed. Interestingly, it is difficult to find justifications for the institutional change. Those that can be found are relatively sparse, but are indeed functional: they refer to the need to increase predictability (Cardoso 2001: 189), create a level playing field for competition between Mercosur producers (Consejo del Mercado Común del Sur 1999) and increase their integration in world trade (Reunião de Ministros da Fazenda 2002e; Consejo del Mercado Común del Sur 2000a). We found no signs for thorough discussions neither in documents nor through our interviews. Instead, interviewees reported that the need to channel the 'shock' of the economic crisis into a productive policy was a decisive motivation for both

[189] Argentina and Uruguay regularly called for a common currency at that time (Opertti 2001c).

Argentina and Brazil [#16, *ibid.*; #20, *ibid.;* #22, *ibid.;* #77, *ibid.*]. Officials and observers that followed the process closely do not recall that other examples than the EU had been considered when looking for models of macroeconomic coordination [#16, *ibid.*; #58, *ibid.*; #22, *ibid.*]. The alternatives that were discussed aimed at completely different policies and were either unilateral and completely incompatible with macroeconomic coordination (dollarizing the Argentinean economy, cf. Aith 1999) or more a vision than an immediate policy solution (pursuing a common currency, cf. Correa 1999). In sum, we therefore rate the last indicator – justification of institutional change with functional reasons - as 'moderate'.

Looking at all indicators together, we can conclude that drawing lessons from the EU experience had only a limited impact on the establishment of Mercosur's macroeconomic coordination system. The EU's model did play a role, but only as far as it represented the almost inevitable and natural reference in this field, especially when the institutional change had to be explained to a larger public.

Impact of lesson-drawing on Mercosur's macroeconomic coordination regime

Indicators (units of assessment in *italics*)	**Score**
relevance of EU incentives specifically directed at the observed institutional change as evidenced in **documents**, **interviews** with actors from the EU and its counterpart.	*0*
predominance of initiative by the EU's counterpart as evidenced in documented or reported **requests**, **public discussions.**	*1*
number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in **documents** or **interviews.**	*1*
adaptation of foreign templates to local conditions as a result of functional considerations, manifested in technical **documents** or **interviews**.	*0*
predominance of justifications of the institutional change with functional reasons and/or weighting of alternative policies evidenced in **official documents, public statements or interviews.**	*1*
Impact of lesson-drawing scores as none (0) – moderate (1-5) – substantial (6-9)	**3** **Moderate**
categorisation of *adaptation* as yes (1) – no (0). categorisation of *predominance* and *number* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found. categorisation of *relevance* as none (2) – moderate (1) – substantial (0).	

Table 6.13: Lesson-drawing in the establishment of Mercosur's macroeconomic coordination regime

Calming the markets with toothless coordination? – Emulation

At first sight, several factors may indicate that Mercosur tried to emulate the EU's experience with macroeconomic coordination: Mercosur's prominent mention of EU assistance when adopting a set of reforms for macroeconomic coordination (CMC 2011) or the Brazilian president's allusion to a 'small Maastricht' (Cardoso 2001: 189) to explain macroeconomic coordination seem to indicate a legitimacy-seeking behaviour consistent with emulation. We also observe a discrepancy between the once-set goals and the lack of macroeconomic coordination in practice.

While such emulation would have made a lot of sense to placate investors and international observers in times of economic turmoil, all other evidence indicates that emulation was not a driving force behind the creation of the macroeconomic coordination regime – and that Mercosur actors genuinely wanted to bring their institutional innovation to fruition. First of all, the functional need for macroeconomic coordination is out of question in light of the repeated contagions between the different states in the region. The goals of Mercosur's macroeconomic monitoring are as unambiguous as possible, enumerating specific indicators for macroeconomic fundamentals (Mercosur *et al.* 2000; Reunião de Ministros da Fazenda 2002e: 2). While macroeconomic monitoring is not effective in practice, it is applied with the GMM meeting regularly to report on (the lack of) macroeconomic convergence (Grupo de Monitoreo Macroeconómico del Mercosur 2002-2016). As mentioned above during the analysis of lesson-drawing, individual studies were undertaken to assess alternative policies to increase macroeconomic convergence, although only few. In addition, Mercosur has assessed (Grupo del Mercado Común 2013a) and revised at least once the effectiveness of its macroeconomic coordination regime since its creation (CMC 2011). Furthermore, and as mentioned above, Mercosur governments discussed alternatives to macroeconomic coordination, ranging from the complete dollarization of the Argentinean economy to a common currency (for which some degree of macroeconomic convergence would have been a prerequisite, though). In sum, all analysed indicators except the occasional references to EU support and 'little Maastricht', dispel the notion that Mercosur might have tried to emulate the EU's experience in macroeconomic coordination. This assessment is summarised in the table below.

Impact of emulation on Mercosur's macroeconomic coordination regime

Indicators (units of assessment in *italics*)	Score
predominance of **prominent references** to the success of the adopted institutional change elsewhere	*1*
presence of functionally **more adequate and known alternatives** to the change adopted	*0*
adoption of EU-promoted institutional change **without its application in practice**	*0*
adoption of institutions **without a thorough assessment** of their effectiveness	*0*
absence of **a functional motivation** for the institutional change	*0*
presence of **ambiguous goals and performance indicators**	*0*
Impact of emulation scores as none (0-3) – moderate (4-5) –substantial (6-7)	**1** **None**
categorisation of *adoption*, *absence* and *presence* as yes (1) – no (0). categorisation of *predominance* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 6.14: Emulation in the establishment of Mercosur's macroeconomic coordination regime

Synthesis

Summing up the analysis, we can conclude that the EU had an influence on the creation of a macroeconomic coordination regime in Mercosur. The creation of this regime consisted in a set of steps that operationalised and put into practice a political commitment made by the Mercosur governments already during the creation of the organisation. This moderate institutional change was especially influenced by EU assistance, which had a substantial impact. While lesson-drawing played a role, its impact was moderate. No evidence could be found for an impact of persuasion or emulation.

The creation of Mercosur's macroeconomic coordination regime went through a set of consecutive steps, ranging from efforts to produce comparable statistics, over the agreement on a set of convergence criteria, to the establishment of the Macroeconomic Monitoring Group (GMM), an intergovernmental board of officials to monitor whether member states complied with those criteria. These steps unfolded between 1997 and 2011, with the core of the institutional change taking place between 1999 and 2008.

An interesting trait emerges when comparing the impact of the individual EU assistance projects. Out of the three projects analysed here, the two most successful ones correlate with the political salience that the matter had achieved after 1999, after the crisis and 'critical juncture' of Brazil's devaluation, and with Mercosur's increased role and ownership in the definition of the projects. This is especially striking when comparing the two similar statistics projects. While it is impossible to exclude further influences, this

suggests a correlation between local (political) ownership and the impact of such assistance projects. Conversely, it may also indicate that lack of such ownership limits EU impact.

Returning to the question posed at the beginning of this case study: did Mercosur escape its macroeconomic prisoner's dilemma? Convergence data (Rozenwurcel 2014; Gasparini 2012: 7–11), Argentina's manipulation of inflation numbers and the different crises that occurred since the mid-2000s provide a clear answer: no, it did not. This exemplifies that institutional change and the EU's influence do not automatically translate into an impact on political practice. Taking into account the limited degree of institutional change that we have witnessed here, further case-studies may show a stronger impact on political practice. The following sub-chapter will analyse whether and how the EU had an impact on creating more solid institutions for regional cooperation in Mercosur.

6.4 Institutions for regional cooperation

Mercosur's 'light' institutionalisation and intergovernmental decision-making is deeply rooted in the attachment of its member states to their national sovereignty, as has been shown before. By implication, its goal to become a 'Common Market of the South' was to be achieved through negative integration, i.e. the progressive elimination of trade barriers. The harmonisation of legal norms was to be agreed upon between the member states and not to be set by any kind of supranational institution. Despite this deeply entrenched conviction, the number of Mercosur institutions has increased over time and also their competences have grown – at least on paper and especially so from the 2000s on. At the same time, our analysis has shown how the EU highlighted the need for stronger Mercosur institutions. In how far did the EU influence the creation of new Mercosur institutions?

This section studies two cases of institutional change inside Mercosur that created two institutions with own decision-making power and competences in the otherwise intergovernmental setup of the organisation: the Mercosur Parliament and the Permanent Court of Appeals. The analysis proceeds along the structure used in the previous sub-chapter: after assessing variation on our dependent variable (institutional change) and studying the respective context and domestic incentives, we assess the impact of the different diffusion mechanisms that could have played a role and score them according to their intensity.

6.4.1 *The establishment of the Mercosur Parliament*

From its creation in 1992, Mercosur included a parliamentary component in its otherwise heavily intergovernmental set-up. In its last article, Mercosur's founding Treaty of Asunción mentions the creation of a 'Joint Parliamentary Commission' (CPC) (Treaty of Asunción 1991b: 24), formed in 1994. Without taking into account the strong disproportions in population, this modest parliamentary component was formed by the same number of deputies despatched by each of the four national legislatures and enjoyed only limited competences inside the Mercosur system. A regular participant in the sessions of the CPC went as far as describing them as "dull and boring, without any practical relevance" [#19, former senior official CPC/Mercosur Parliament]. Limited to issuing recommendations to the decision-making organs of Mercosur, the main tasks of the CPC were seen in contributing to a timely and harmonised incorporation of Mercosur acts into the national legal orders (Ouro Preto Protocol 1994: Section IV).[190]

Calls to overcome this state played a role in local discussions and a stronger parliamentarisation was the declared objective of the CPC itself (CPC 1997: Art. 3(b)). The aims of such calls were to form a permanent, directly elected parliament with stronger powers and a proportional representation of the populations. Nonetheless, these objectives were seldom taken up by the executives nor even by the national parliaments – with the exception of individual deputies especially committed to the integration process [#19, *ibid.*,; #21, Friedrich-Ebert-Stiftung Uruguay].

From a parliamentary commission to a directly elected parliament – Institutional change in the Mercosur Parliament

In 2007, thirteen years after the creation of the CPC, the Mercosur Parliament was inaugurated in a solemn ceremony in Montevideo (Seitz 2007). The Mercosur Parliament does not only reflect its stronger ambition through its name, but also through a number of notable changes. Had the CPC consisted of the same number of deputies from each of the member states, clearly reflecting an intergovernmental understanding, the composition of the new parliament echoes the vast differences in population through a mechanism of 'attenuated proportionality'. It foresees 75 members for Brazil and 18 deputies for Uruguay

[190] The limited relevance given to the CPC at the founding of Mercosur is further reflected by the fact that the parliamentary commission is not mentioned among the organs of Mercosur in the Treaty of Asunción.

and Paraguay. While the CPC only had the competence to deliberate about decisions already taken by Mercosur's decision-making bodies, the Parliament made some gains in this field, adding the right not only to request information as before, but also to receive written answers from the decision-making bodies of Mercosur within a set timeframe (Parlamento del Mercosur 2005: Art. 4(4)). Above all, the Parliament is to be formed by directly elected members who shall be fully dedicated to their functions as regional parliamentarians, while the CPC members just assembled in addition to their national mandates.

This fundamental change is also reflected in the mission given to the two bodies by their respective founding documents: while the CPC was conceived as a "representation of the parliaments of the states' parties" (Ouro Preto 1994: Art. 22), the Mercosur Parliament is called to represent "the peoples of Mercosur" (Parlamento del Mercosur 2005: Art. 2(1)). Whereas the CPC was a purely deliberative assembly, the Mercosur Parliament aspires to be a parliament with representative functions and rights of scrutiny and proposal. In addition, the competences of the Mercosur parliament foresee a fast-track procedure to address the afore-mentioned implementation backlog in Mercosur laws by accelerating their incorporation into the national legal orders (Parlamento del Mercosur 2005: Art. 4 (12)). In terms of our assessment of the dependent variable, the reform of the Mercosur parliament therefore implies change in all four dimensions of institutional change and qualifies as substantial institutional change. Table 6.15 below sums up this assessment.

Dimensions of institutional change	**Change indicators**	**Score**
Core function	From a parliamentary assembly to a directly elected parliament	1
Actors	From dispatched members of national parliaments to directly elected MPs with an incompatibility with national offices	1
Decision-making	From an equal representation (16 MPs from each state) to attenuated proportionality. From a consensus rule for national delegations to a majority rule.	1
Competences	From competences to deliberate, issue opinions and request information to the inclusion of a (limited) right of proposal and increased scrutiny with reporting obligations from Mercosur's decision-making organs.	1

Institutional change – from the CPC to the Mercosur Parliament	4 Substantial
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.	

Table 6.15: Institutional change in the establishment of the Mercosur Parliament

In how far was this strong institutional change – described as the result of a "political planetary alignment" by a closely involved official [#19, *ibid.*] – influenced by the EU? In order to find out, the following paragraphs assess the most immediate context of the institutional change and process-trace the effect of the applied EU instruments along the causal mechanisms hypothesised in our theoretical framework.

Context and domestic incentives – the aftermath of the Brazilian and Argentinean crises

The aforementioned "political planetary alignment" occurred when the Brazilian and Argentinian presidents Lula da Silva and Eduardo Duhalde agreed to push forward the reform of the CPC – a project that had so far lacked the necessary resonance on highest political levels [#19, *ibid.*; Rodríguez Yebra 2003; Duhalde and da Silva 2006[2003]].[191] This "planetary alignment" was nonetheless not just a matter of political opportunity, but can be placed in the context of the reforms that were pursued from 2003/4 in reaction to the crisis-ridden years before.

In terms of our scope conditions, and as analysed before (cf. p. 170f.), the aftermath of the crisis represents a 'critical juncture' at which the need for institutional reforms was seen by a sufficient number of relevant political actors, creating an opportunity for external stimuli to influence regional debates and decisions more strongly than before.

A tale of assisted lesson-drawing – the EU as an enabler of institutional change[192]

In the context described above, the CPC was tasked by the Mercosur member states to prepare a draft founding protocol for a directly elected parliament (Consejo del Mercado Común del Sur 2004d), starting the process to transform the CPC into the Mercosur

[191] The two smaller countries in the block, most vocally Uruguay, have always advocated stronger institutions as these would reduce the ability of the two larger neighbours to engage in solo runs.

[192] Preliminary versions of the following case study were presented and discussed at the 2013 ISA Annual Convention and the 2013 EUSA Biennial Conference.

Parliament. This section will assess in how far the EU influenced this process. Based on the analysis of the instruments used by the EU conducted in chapter 6.2, we can already exclude that it had applied any conditionality towards Mercosur in this field. Therefore we will concentrate our analysis on tracing the impact of assistance (H1b), lesson-drawing (H2), persuasion (H3) and emulation (H4).

Setting the stage – EU assistance to the CPC

EU assistance played an enabling role from the very beginning, even before the idea of establishing a directly elected parliament had gained political track in the region. As listed in Annex C, over the years the EU supported the parliamentarisation of Mercosur with three dedicated technical assistance projects to which it devoted slightly more than two million euros. With this contribution, the EU was practically the only donor supporting this particular area.[193] While the amount of financing is certainly limited compared to other cooperation projects – "peanuts" according to a senior EEAS official involved [#52] – and the third project could not be implemented completely (Commission and EEAS 2010: 16), these projects had a decisive significance for the CPC and the parliament according to Mercosur officials [#19, *ibid.*; #26, official, Mercosur Parliament].[194]

The first project on 'Parliamentary Cooperation' laid the ground for the creation of the Mercosur Parliament. To provide assistance to the CPC, the EU requested that a permanent secretariat be installed to manage the cooperation programmes. In doing so, it created what later became the main actor and hub in pushing forward the technical work on the draft protocol. Interviewees emphasised that this was the first and enabling step towards the subsequent creation of the parliament [#02, member of the working group preparing the draft protocol; #19, *ibid.*]. When the CPC decided to create the permanent

[193] Beyond the EU, the establishment of a Mercosur parliament was also supported by the Organisation of American States (OAS) and by the German Konrad Adenauer (KAS) and Friedrich Ebert (FES) foundations. While the first was described as "useful, but not decisive", support from the FES was seen as decisive because it allowed organising meetings that couldn't be paid for with national or donor funds [#19, *ibid.*; #54, FES representative]. The KAS edited two books with documents from the discussions on the parliament which are also used as sources here (Fundación Konrad Adenauer and Comisión Parlamentaria Conjunta del Mercosur 2006; 2004).

[194] These and further officials of the Mercosur parliament did also criticise that EU administrative requirements had made the implementation of the projects very difficult. It is therefore fair to assume that their positive assessment of the decisiveness of the EU support is not biased towards an interviewer stemming from the EU.

secretariat at the end of 1997 (CPC 1997: Art. 30, 34, 35), this ended the previous practice by which officials of the rotating presidencies would coordinate administrative work every semester and pass on the baton to the next presidency. This change provided the institution with a certain degree of continuity and technical expertise. Following this decision, the European Commission signed the financing agreement with the CPC secretariat in 1999 and began the work to contract the project, which included the provision of expertise but also technical equipment and hiring of staff (DG DEVE 2001). The project began in 2002. During the following years, EU funding covered most of the expenses and running costs for the secretariat [#19, *ibid.*; #55, head of the Mercosur Parliament secretariat], which had been struggling to pay its employees before (CPC 2003). In terms of our assessment of the causal mechanisms, this indicates the role of EU assistance in triggering institutional change, as it played an enabling role by putting the decisive actors on track. As emphasised by several senior officials involved, the CPC would not have been able to create the secretariat at that time without EU support [#19, *ibid.;* #55, *ibid.*]

Beyond the establishment of the secretariat, the most important contribution of the EU's assistance to the CPC was the design of a consultation procedure for the parliamentary commission. This procedure was an important step towards the creation of the parliament and was later incorporated into its protocol. Inspired by the EP's consultation procedure (TFEU 2010: Art. 289), the procedure aims to address two problems: the long duration of the transposition of Mercosur acts into national law and the lack of legislative power of the CPC/Mercosur Parliament. It foresees that Mercosur decisions be forwarded to the Parliament before they are agreed by the Mercosur Council (CMC). If approved by the Parliament, they shall be transposed through a fast-track procedure in national parliaments. If rejected, the usual transposition procedure would apply (Protocolo Constitutivo 2005: 4.12).

This procedure was developed in 2003 by a Spanish professor in Administrative and European law hired as a consultant under the EU assistance project for the CPC [#19 *ibid.*, #26, *ibid.*; Fresnedo de Aguirre 2003?: 5–6].[195] At that time, the procedure was cast into an

[195] Namely, Ricardo Alonso García, see http://derecho.ucm.es/data/cont/docs/23-2016-05-03-CV_Ricardo%20Alonso%20Garcia%20(esp).pdf (last accessed September 5th 2016). An internal study commissioned by the European Commission in 2002 to propose policy options towards Mercosur

interinstitutional agreement, in which the Mercosur Council (CMC) committed itself to consult the CPC in any legislative matter that required transposition into national legal orders. In return, the CPC promised to accelerate the procedures in national parliaments (CMC, CPC [2003]2006). The procedure sought to increase the CPC's role while knowing that a direct legislative competence was beyond the scope of what the sovereignty-protective Mercosur states would grant. In this context, the hired consultant regularly mentioned how the EP had been able to gradually expand its decision-making competences beyond the respective state of the treaty law by recurring to inter-institutional agreements with the Commission or the Council [#19, *ibid.*].[196] The members of the drafting committee welcomed the "decisive" input by the consultant and included it also in their draft protocol for the new parliament – expecting that it would mobilise considerable political power if used accordingly by Mercosur and national parliamentarians. In light of the decisiveness of EU assistance reported by Mercosur actors, we score the relevance of this assistance in shaping the design of the future Mercosur parliament as 'substantial'. As reflected here and in the above-cited statements on the creation of the Mercosur secretariat, Mercosur actors involved did also perceive the EU as the 'trigger' of the institutional change that occurred at the CPC. We score this as 'moderate', taking into account that it is impossible to proof that the secretariat would have not been created without EU support.

Moving to our third indicator for the impact of assistance, permanence of the institutional change, both the secretariat and the procedure to increase the Parliament's legislative role still exist today. Therefore the duration of the institutional change can be qualified as long. Despite this, we score this indicator as 'moderate' since the consultation procedure has never been used so far (Parlamento del Mercosur 2016).

In sum, assistance from the EU had an enabling impact on the creation of the Mercosur Parliament as it laid the technical and material foundations for the drafting of the constitutive protocol and provided for one of its strongest institutional innovations. The 'substantial' (4) score for the impact of EU assistance reflects this. At the same time, the

also includes 'fast track' procedures as a possible EU contribution to strengthen Mercosur's rule of law (Bouzas *et al.* 2002: 171–172, 183-184).

[196] This process resembles what has been described as a 'feedback spiral of EU governance' for the emergence of new modes of governance in the EU (Diedrichs *et al.* 2011: 24–8).

analysis also shows that this impact could only turn into reality at the moment when the local political conditions – i.e. political initiative from two presidents – allowed for it – much like in the previously studied case of the macroeconomic convergence regime.

Impact of assistance on the establishment of the Mercosur Parliament	
Indicators (units of assessment in *italics*)	**Score**
emphasis of explicit mentions of EU assistance as a trigger for institutional change in **speeches, statements, documents** or in **interviews** with EU counterparts.	*1*
relevance of EU assistance in the design of institutional change as reflected in **speeches, statements, documents** or in **interviews** with EU counterparts.	*2*
duration of institutional change created with EU assistance as reflected by **documents** from and in **interviews** with EU counterparts.	*1*
Impact of assistance scores as none (0) – moderate (1-3) – substantial (4-6)	**4** **Substantial**
categorisation of *emphasis*, *relevance* and *duration* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 6.16: Assistance in the establishment of the Mercosur Parliament

Preaching to the converted – EU persuasion

EU assistance to the CPC was based on the discussions and visits (Figueroa 1997: 84–9) that had taken place with the EP delegation to South America in 1996. It took up the general concern EU negotiators had on the poor implementation record of Mercosur norms. The EU's regular advocacy for a more prominent role for the regional institutions in the integration process has already been mentioned above (see p. 160f.). In this general setting, and according to two participants in bi-regional meetings, EU actors also suggested that a regional parliament could contribute to increasing Mercosur's perception in society and the legal consistency and implementation record of Mercosur norms [#01, former senior EU official; #28, former senior official, Argentinian MFA]. Despite such mentions, the emphasis is certainly lower than that placed on ensuring legal consistency across Mercosur or other institutional innovations advocated for by the European side, like the establishment of a regional solidarity mechanism (cf. 6.3.1 above). Similarly, EU policy-makers interviewed by the author did not mention the issue when asked for a judgement of Mercosur's most important institutional advancements and / or needs. Whenever support to Mercosur's parliamentary development is mentioned in EU strategic documents, it is presented as a request from Mercosur rather than an EU conviction or proposal

(Commission 2002: 27).[197] The fact that the rules of procedure of the CPC already mentioned the creation of a parliament as a goal in 1997 (CPC 1997) further reduces the probability that the EU had persuaded Mercosur actors to further 'parlamentarise' their organisation. At most, it created a positive sounding board that became useful for those advocating a regional parliament.

This impression is substantiated by the reports on the influence of the activities of the EP. A former official of the CPC went as far as saying that "the interest [in a Mercosur Parliament] was stronger in Europe than within our own national congresses" [#19, *ibid.*]. Taking into account that the CPC had no other partners outside the region, the EP's activities were perceived as an important "moral and political support" to those advocating a stronger role for the CPC [#19, *ibid.*]. Especially the regular meetings between the CPC and the EP delegation served to increase the reputation of the CPC within Mercosur [#19, *ibid.*; #04, EP official], but did certainly only have a limited impact beyond the parliamentary field.[198]

While these observations indicate a certain influence of EU persuasion on Mercosur actors through support to specific (epistemic) communities and political actors, it becomes clear that this impact was limited to a reduced group of individuals who already advocated a stronger parliament. In this field, the EU was preaching to the converted. These observations are also far away from constituting a pattern of evidence that would suffice to confirm the impact of EU persuasion on Mercosur.[199]

Drafting a protocol for the Mercosur Parliament – drawing from EU lessons

At the time when presidents Lula and Duhalde lifted the creation of a Mercosur parliament onto the political agenda in 2002, the secretariat of the CPC was well placed to become the hub for the preparatory activities and could mobilise financial resources and expertise to

[197] Taking into account that such public documents tend to follow a diplomatic tone, this would not be a surprise if it wasn't for the outspoken recommendations the document issues on other internal Mercosur developments (see the quotes on p. 154).

[198] This is substantiated by the fact that none of the interviewed actors from Mercosur states' governments mentioned this interaction when asked about the parliament.

[199] Due to the elusiveness of persuasion, we had set a higher threshold for the assessment of this causal mechanism in our operationalisation (see section 4.4.4 above). Therefore, we also refrain from presenting the results in a table. The score would be 4 out of 13 (indicators: EU support to epistemic communities, to political actors and difference of experience in regional cooperation).

influence the process – along the priorities agreed upon with the EU, which foresaw the provision of technical assistance for the "transfer of EU experience, especially from the EP" (DG DEVE 2001). The cornerstone of the establishment of the parliament consisted in drafting a founding protocol. Work on the protocol started in February 2005, with the corresponding mandate to the CPC demanding that this work be finished by the end of 2006. As the following paragraphs show, this drafting process was heavily influenced by the EU and its experiences.

The drafting of the protocol for the Mercosur parliament proceeded in two phases. First, the draft protocol itself was prepared in the first semester of 2005 by a 'high-level technical group' (Grupo Técnico de Alto Nivel, GTAN). This group was formed by the head of the CPC secretariat and senior experts from the member states [#02, *ibid.*; #19, *ibid.*; #55, member of the working group; CPC (2005b)]. Second, a political accord was agreed upon. It changed the proposed number of deputies for each member state and connected the changes in the parliament to other institutional innovations in a package deal designed to gain approval by all governments [#19, *ibid.*; #55, *ibid.*; Parlamento del Mercosur 2009b]. Two issues were the most relevant in this process because of their practical relevance and political implications: the agreement on an 'attenuated proportionality' for the parliament's composition and the consultation mechanism for its involvement in Mercosur legislation. While the consultation mechanism merely adapted to the new context the procedure developed for the CPC under EU assistance, agreeing on the setup of the parliament took more time.

The search for a formula for the composition of the Mercosur Parliament can be seen as a clear case of drawing lessons from the EP's experiences. As members of the high-level group report, the idea of pursuing an 'attenuated proportionality' analogous to the 'degressive proportionality' of the EP was discussed by the group from the very beginning [#02, *ibid.*; #19, *ibid.*]. The EP served as a "guidance" as it was an experience that many of the involved experts "knew very well" [#19, *ibid.*]. In the notes of the working group, individual articles of the EP rules of procedure are mentioned to justify specific institutional choices (CPC 2005: 14). Nonetheless, the EP-inspired proportionality rule was not just taken over without a thorough assessment, but was part of a "deductive" process as described by one of the involved experts. As notes from the working group and interviews with its members show, this deductive process began with the premise of not having a too large

parliament while on the other side being able to have small enough constituencies in the most-populated state, Brazil [CPC 2005: 19–22; #19 *ibid.*]. While in other cases, the documents of the working group mention regional parliaments – including the EP – as the main reason to justify proposed competences[200], in the case of composition of the parliament, the EP is not directly mentioned to justify the proposed solution. In line with the expectations of lesson-drawing mentioned in section 3.3.1, instead the process combined a functionally valid foreign solution with adaptations and justifications applicable to the local context. This can be seen in the thorough discussion (and rejection) of other solutions and the calculation of the attenuated proportionality undertaken by the members of the high-level group [CPC 2005a: 19–22, #19, *ibid.*]. The fact that Paraguay expressed its reservations to the solution found and rejected that representatives from one state could be outvoted, also shows that a reasoned discussion and functional trade-off had taken place (instead of a blunt carbon-copy of a template) (CPC 2005: 22).[201] We therefore score the predominance of functional reasoning in the justification of the institutional change as 'substantial'.

Further observations also point at a case of lesson-drawing. To mention one example, when work for the drafting of the protocol was about to begin, the initiative to draw from the EU's experience came from Mercosur officials. At the end of 2004, the head of the CPC secretariat inquired to the respective DG Relex official whether the process about to start could be supported with EU technical assistance [#19, *ibid.*; #55, *ibid.*]. This was not possible because the request came in the midst of an already running programming period. Since the national Mercosur parliaments also declined to fund the process, support was provided by the German Friedrich Ebert Foundation (FES), which financed meetings and public outreach activities [#19, *ibid.*; #54, FES Buenos Aires; #21, FES Montevideo]. We therefore score the predominance of Mercosur's initiative as 'substantial' in the assessment below. No specific studies were conducted to prepare the Parliament's

[200] Such as the Parliamentary Assembly of the Council of Europe (CPC 2005a: 12) or the parliament of the Central American Integration System (SICA) (CPC 2005a: 27).

[201] In fact, Paraguay only accepted the solution found under the condition of a package deal that connected the attenuated proportionality and transition periods for the parliament's composition with Paraguay's request for the establishment of a permanent Mercosur court. This deal was formulated in a 2009 and accepted by the Mercosur foreign ministers in 2010 (Parlamento del Mercosur 2009a; Página 12 2010).

protocol, but the drafting group included a majority of academics, among whom many had studied the EU's (parliamentary) experience.[202] Also, the coordinator of the working group visited Brussels and spoke with officials and members of the EP to incorporate their experiences in the draft protocol. Financed by the FES, the main lesson from these conversations had been to keep the protocol as simple as possible and to bank on later expanding the competences of the parliament, the coordinator recalls [#19, *ibid.*].[203] This indicator is therefore ranked as 'moderate'. As mentioned in the beginning of this assessment, EU technical cooperation was decisive to create the CPC secretariat that conducted the technical work on the Mercosur Parliament and it did incentivise the creation of a stronger parliament, but no signs of influences aimed at convincing specific actors to behave in a certain way were found. We therefore rank the relevance of EU incentives a 'moderate'.

Table 6.17 below sums up the assessment of the individual indicators for lesson-drawing. In sum, we observe a substantial impact of lesson-drawing from the EU in the drafting of the protocol for the Mercosur Parliament. The fact that the transfer of institutional models from the EU involved functional considerations and reasoned adaptations to local circumstances also indicates that we are not witnessing a case of emulation.

Impact of lesson-drawing on the creation of the Mercosur Parliament

Indicators (units of assessment in *italics*)	**Score**
relevance of EU incentives specifically directed at the observed institutional change as evidenced in **documents**, **interviews** with actors from the EU and its counterpart.	*1*
predominance of initiative by the EU's counterpart as evidenced in documented or reported **requests**, **public discussions.**	*2*

[202] A list of the members is available here: (CPC 2005b: 4–5).
[203] In fact, the notes from the working group discuss examples of 'competence creep' based on the EU (e.g. CPC 2005: 27).

number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in **documents** or **interviews.**	*1*
adaptation of foreign templates to local conditions as a result of functional considerations, manifested in technical **documents** or **interviews**.	*1*
predominance of justifications of the institutional change with functional reasons and/or weighting of alternative policies evidenced in **official documents, public statements or interviews.**	*2*
Impact of lesson-drawing scores as none (0) – moderate (1-5) – substantial (6-9)	**7** **Substantial**
categorisation of *adaptation* as yes (1) – no (0). categorisation of *predominance* and *number* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found. categorisation of *relevance* as none (2) – moderate (1) – substantial (0).	

Table 6.17: Lesson-drawing in the creation of the Mercosur Parliament

Synthesis

Summing up the analysis of the causal mechanisms, we can conclude that the EU did decisively influence the creation of the Mercosur parliament, a 'substantial' institutional change in terms of our assessment. Its influence worked through a combination of assistance and lesson-drawing. It is interesting to note that this lesson-drawing was made possible, or at least eased, by EU technical assistance. This created a situation that could be termed 'assisted lesson-drawing'. EU support can be described as a necessary, yet not sufficient condition for the observed institutional change. Only the local reaction to a major crisis created the necessary political impulse for a change that had already been on the 'to do list' of the more pro-integrationist. At this point in time, EU engagement was decisive in making the change possible – also because it was the only actor supporting the CPC from the beginning. Once the conditions for change were present, EU action oriented the choice of the involved actors towards specific institutional templates and influenced the later design of the Parliament. In one case (attenuated proportionality), the EU template was adapted to local requirements, while in the other (consultation procedure) a more direct incorporation was chosen. It is fair to assume, and was confirmed by Mercosur officials, that the Parliament wouldn't have been created at that point without EU support. No (sufficient) indications were found for the presence and impact of EU conditionality, persuasion or emulation.

While this assessment confirms the influence of EU instruments on the Parliament's institutional design, the fact that the Parliament has in practice not yet reached its status foreseen for 2015 – with parliamentarians directly elected on a single election day in all Mercosur states – shows once more that an influence on institutional design does not automatically translate into an influence on political practice.

As part of the same attempt to 'relaunch' Mercosur and to increase legal certainty in the region, also the regional dispute settlement system was transformed in the first decade of the 2000s. The ensuing section analyses this reform and whether and how the EU had an influence on its results.

6.4.2 The Permanent Court of Appeals of Mercosur – on the path from inter-governmental to supranational dispute resolution

Dispute resolution mechanisms, i.e. procedures to settle legal quarrels between governments, economic operators, or even individuals in different states on the basis of a consistent and accepted interpretation, belong to the core elements of trade and regional integration agreements. These mechanisms range from the obligation to engage in structured diplomatic negotiations as soon as a dispute arises to the establishment of international courts with own jurisdiction. Over the course of its lifespan, Mercosur has gone through a whole range of mechanisms, beginning with the mere recommendation to engage in diplomatic consultations to the establishment of the Permanent Court of Appeals (Tribunal Permanente de Revisión, TPR in its Spanish and Portuguese acronym) in 2004 as the peak of a multi-layer dispute resolution system (Klumpp 2013: 33–42). In light of the afore-mentioned difficulties of the Mercosur states to (uniformly) apply Mercosur acts, providing a central and recognised resolution of disputes as well as a homogenous interpretation of regional law could be a decisive step towards increasing implementation rates and the consistency of the Mercosur legal order. Seen as one of its key achievements, the existence of a largely uniform, supranationally interpreted European legal order, places the EU in a position to contribute to Mercosur reforms in this field.

The following paragraphs will first assess the degree of institutional change incurred with the creation of the TPR, briefly illuminate the context and domestic incentives against which this change took place and then process-trace to what extent EU instruments influenced the reform.

Institutional change – the creation of the Asunción Tribunal

The inauguration of the Permanent Court of Appeals (TPR) in 2004 marks the most important overhaul of Mercosur's dispute resolution system. In a region traditionally more prone to negotiated, diplomatic dispute settlement than to judicial approaches (Susani 2010: 74–5), this represents a significant milestone. Earlier reforms had only adapted details of the system (Klumpp 2013: 33–9) while maintaining its nature as a quasi-diplomatic arbitration process between states. Whereas the previous system, governed by the Protocol of Brasília since 1993 (1991a), foresaw ad hoc-arbitration panels with specifically nominated arbitrators if the disputing parties were note able to find an agreement in direct negotiations, the Protocol of Olivos (2002d) created the TPR as a permanent institution composed by five judges. The TPR can act as a court of appeals if a party disagrees with the arbitration of an ad hoc-panel, but it can also be addressed directly instead of arbitration panels and act as a single instance (2002d: Art. 19, 23). In addition to the settlement of disputes between the Mercosur member states, a further core function was assigned to the TPR: the interpretation of the law of Mercosur through legal opinions (2002d: Art. 3).

The fact that all cases brought before the court are decided upon by the same set of permanent judges increases the credibility of the judgements compared to the arbitration through *ad hoc* panels. Quite importantly, legal opinions can also interpret whether national decisions are in line with Mercosur legislation, provided that this question is part of a dispute before a national court (Klumpp 2013: 289; CMC 2007a: Art. 4). The establishment of a court of appeals and the competence to issue legal opinions allow for the development of jurisprudence at the Mercosur level, possibly opening a path to harmonising the application of Mercosur law. It is important to note though that the legal opinions issued by the TPR are not binding. Despite this, Mercosur took five further years to agree on the procedure and scope of the legal opinions (CMC 2007a). This shows that legal opinions were considered an influential tool and that their introduction challenged the established patterns of sovereignty-protective integration.

The Protocol of Olivos opened up dispute resolution and legal interpretation to actors beyond the sphere of the national governments. In the strictly intergovernmental

system of Mercosur this represents a considerable innovation. All Mercosur decision-making institutions and national supreme courts gained the right to request legal opinions from the TPR (CMC 2003a: Art. 2). This permits an indirect access of individuals to the interpretation of Mercosur law.[204] In addition, legal and natural persons can now access dispute resolution as well (Olivos 2002d: Art. 39-44). While this reform is seen as an important contribution to ensuring a certain degree of uniformity in the application of Mercosur rules (Klumpp 2013: 340), two important limitations restrict the autonomy of the system. First, the Mercosur Secretariat is not allowed to request legal opinions. Since almost all other Mercosur institutions act upon unanimity of the member states, this implies that national governments retain a strong role as gate-keepers to the system. Only the Parliament could potentially exploit its autonomy to request legal opinions to foster stronger (legal) integration. In view of the limited sources of input, the risk of an 'activist' court being in favour of deeper integration is therefore small. Secondly, the access of individuals to dispute settlement must first be approved by the government of the plaintiff (Olivos 2002d: Art. 40).[205]

While these measures limit the ability of the TPR to develop too strong autonomy without the acquiescence of the governments, others strengthen the independence of the court. Most importantly, the judges now serve fixed terms instead of being appointed for individual cases, thereby reducing their dependence on national governments. Four judges (one by each member state) are appointed for two years. Their terms can be prolonged twice. A fifth judge is appointed for three years and presides over the court.[206] This reinforces the position of the judges vis-à-vis the national governments and the continuity of legal interpretation. Unlike the previous dispute resolution mechanisms where individual states could block the set-up of specific arbitration panels by withholding the funds, the TPR draws from a permanent budget (Klumpp 2013: 272–3). Resolutions on disputes between Mercosur states are usually taken by three judges. Two of them must be nationals of the states involved and the third, presiding judge must be a citizen of a different member

[204] Unlike in the case of the EU, where at least supreme courts are obliged to request preliminary rulings (TFEU 2012b: Art. 267), requests are completely voluntary in the Mercosur system.
[205] In practice, this prevents citizens from challenging the laws of their own state and limits the system to disputes between states.
[206] If the member states cannot agree on the fifth judge, the Mercosur Secretariat draws a lot from all proposals received (CMC 2003a: Art. 31.4).

state (Olivos 2002d: Art. 10). Whenever the TPR acts as a single instance though, be it to solve a dispute or to issue a legal opinion, it sits with all five judges (CMC 2003a: Art. 6.1).

Decision-making rules for the resolution of disputes did not change when comparing the TPR to the previous system. Like before, both the ad hoc-panels and the TPR decide by simple majority. Dissenting votes are not published. This rule protects the judges from lobbying and privileges conflict resolution and clarity over legal development. Different rules apply to legal opinions, where dissenting opinions are published (CMC 2003a: Art. 9.1). This approach nurtures legal discussions but does not necessarily contribute to increasing the uniform application of Mercosur law.

In sum, the Protocol of Olivos and the creation of the TPR transformed the strictly intergovernmental and negotiation-based dispute resolution system of Mercosur into a more permanent, more autonomous and more judicial system. Adding a new function to its original purpose, the system does now also serve to interpret Mercosur law. As a result of the reforms, Mercosur now has a dispute settlement system that falls in between the WTO-like procedure based on direct negotiations and ad hoc-arbitration panels and the establishment of a permanent court that also has the competence to interpret common law, which bears some resemblance to the EU system. In terms of our assessment of the dependent variable, this reform implies change in three out of four dimensions of institutional change and qualifies as substantial institutional change. Table 6.18 below sums up this assessment on the basis of the respective indicators.

Dimensions of institutional change	**Change indicators**	**Score**
Core function	Adds interpretation of Mercosur law to dispute settlement	1
Actors	• From arbitrators designated for each case to five permanent judges • Access to dispute settlement now also granted to legal and natural persons (passing through national governments) • Indirect access for individuals to legal interpretation through national courts	1
Decision-making	Dispute resolution: • Remains simple majority, diverging votes are not published • appeals: three judges decide, single-instance	0

	dispute settlement: all judges decide (new competence) Legal opinions: • simple majority, diverging votes are published (new competence)	
Competences	Dispute resolution: • Decides upon appeals on panel decisions • Settles disputes as a single-instance court Legal opinions: • Gained competence to issue legal opinions upon request of a Mercosur decision-making organ, all national governments or a supreme court of a member state	1
Institutional change – dispute settlement		**3 Substantial**
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.		

Table 6.18: Institutional change in the creation of the TPR

While still far away from evolving into a an 'own legal order' as the one proclaimed by the ECJ, the 2002-04 reform of Mercosur's dispute settlement system puts the region closer to the supranational system of the EU. This raises the question in how far EU influence shaped this reform. In order to find out, the following paragraphs assess the most immediate context of the institutional change and process-trace the effect of the applied EU instruments along the causal mechanisms hypothesised in our theoretical framework.

Context and domestic incentives

As in the case of the Mercosur Parliament, the severe economic crisis that hit the region at the end of the nineties and early 2000s provided the "critical juncture" for the creation of a permanent Mercosur tribunal. An overhaul of the dispute resolution system was included in the same ambitious programme to 'relaunch' Mercosur as the parliament.

Unlike in the case of the Mercosur Parliament, where proponents of an institutional reform were evenly distributed among the four member states[207], the reform of dispute resolution was clearly spearheaded by the two smaller states of the block against the scepticism of Brazil and Argentina [Arnold and Rittberger 2013: 99, 112-113; #47, MFA Uruguay; #17, Uruguayan representative to Mercosur; #58, former senior official,

[207] With the exception of Paraguay's scepticism to agree to the 'attenuated proportionality' at the end of the reform process (see p. 182f.)

Argentinean Ministry for Economic Affairs; #25, Brazilian delegation to Mercosur].[208] In the case of Uruguay, the preferences went as far as advocating for a supranational court before which individual states would have been able to challenge the legislation of other members as to their compliance with Mercosur rules (Dreyzin de Klor 2004a: 4; Opertti Badán 2002: 22).[209] This constellation of interests is not surprising, since the existing dispute resolution system allowed the larger states to foil the system by refusing to pay their share of the arbitration costs or by exerting diplomatic pressure in the closed negotiations. In addition, the nomination of individual arbitrators for each case provided all member states with a strong hold over the process. With a relatively tooth-less dispute resolution system, the larger states could bring their strong economic and bargaining power to fruition most easily – for example by threatening to retaliate with unilateral trade measures that would hurt their smaller partners much more than themselves. The fact that the court's budget is borne in equal shares by all states (Klumpp 2013: 272) may also be seen as a sign of the smaller states' willingness to incur a larger sacrifice to have a more reliable and independent dispute resolution system. According to government officials from both states, Argentina and Brazil agreed to reform Mercosur's dispute resolution because they expected that this would increase the confidence of international and regional investors (#77, former Argentinean Vice-President; see also Arnold and Rittberger 2013: 114–5). According to one account of the negotiation process, the fact that Argentina had previously lost several arbitration cases also made it more open to a reform that would include an instance to appeal to (Arnold and Rittberger 2013: 115).

In sum, we observe that, like in the case of the Mercosur Parliament, the catalyst or 'critical juncture' for the reform of Mercosur's dispute settlement came with the crisis in Brazil and Argentina. Unlike in the previous case though, the incentives of the individual states differed and split along the cleavage between large and small states. While the smaller states were more open to a reform and even aimed for a supranational system,

[208] I.e., here we observe a similar split between the large and small states as in the case of macroeconomic coordination studied above.

[209] Interestingly, Uruguay, despite being the staunchest supporter of strong institutions for Mercosur is also the state with the worst incorporation rate of Mercosur decisions. According to data collected for the period 1994-2008, Uruguay has incorporated inly 63% of all Mercosur laws (Arnold 2016: 11).

Argentina and Brazil remained hesitant - and consequently also less open to 'integrationist' influences and templates.

Pick and choose - Learning from different sources

In the aforementioned context, the member states began to negotiate a reform of Mercosur's dispute settlement system in a process that ran from mid-2000 to the end of 2001. Asking for a mere "improvement of the Protocol of Brasília", the modest title of the mandate the states agreed upon reflects their discord as to the extent of the reform. It enumerates some goals of the reform, such as increasing compliance with the arbitrations or setting up criteria for the appointment of panel members. While it also includes a reference to "discussing alternatives for a more uniform interpretation of Mercosur acts", the mandate mentions the establishment of a permanent institution nowhere. The narrow time frame of just six months given to the intergovernmental working group tasked to develop a reform proposal can also be seen as a sign of the wish to avoid any in-depth discussions (CMC 2000b). In fact, that time frame had to be extended for another six months in a further decision – which now included the explicit requirement to create a permanent tribunal (CMC 2000a).

What led to this apparent change in mind and the sudden aim for a more ambitious solution? What does this change tell us about the negotiation process and possible EU influences? Criticising its lack of ambition, Uruguay had vetoed the reform proposal and pushed for the creation of a permanent court (Perotti 2001: 2–3). This dispute and the divergence of interests between the Mercosur states points at the existence of substantial debates around the adequacy of the proposals tabled. Hence, they speak in favour of a context in which functional considerations drove the design of a new dispute settlement system for Mercosur. Indeed, interviews with several actors either present at or closely following the negotiations confirm that the talks were challenging and characterised by the weighting of competing functional arguments [Arnold and Rittberger 2013: 116–9; Perotti 2001: 13; #77, former Vice-President of Argentina; #57, former coordinator Mercosur affairs, Argentinean Ministry for Economic Affairs]. While we did not find any indications for the commissioning of studies among the few documents that could be accessed from the rather secretive negotiations nor in the statements of the involved interviewees, the statements strengthen the perception that the negotiations were eminently technical, conducted among experts and therefore less political than in the case of the Parliament.

Despite not finding any analyses or studies, we score the respective indicator[210] as 'moderate' since the above-mentioned evidence shows that the negotiations were mainly led by functional considerations in which the involved actors acted according to their interests and rational calculations.

Three lines of conflict – what, for whom and how far?

The fact that the states followed their divergent interests rather strictly led to numerous conflict lines during the negotiations. The first and most important one was whether to install a court or not. Whereas Argentina and Brazil were in favour of maintaining a system based on negotiations and *ad hoc*-panels but sought to increase its speed and trustworthiness, Uruguay instead advocated the establishment of a permanent tribunal (see for example Uruguayan FM Opertti Badán 2002: 22).[211] Paraguay supported this stance [#30, Argentinean representative to Mercosur; Arnold and Rittberger 2013: 118]. In its push for a permanent court, Uruguay referred to the example of the ECJ, highlighting how the European court had helped to solve trade disputes between EU member states [#17, Uruguayan representative to Mercosur; #47, MFA Uruguay] and how it had increased confidence in the EU market, precisely because it was independent from member states [#30, *ibid.*].

Discussions erupted also on whether individual citizens should be allowed to address the dispute resolution system directly – a rule that would have provided the system and the court with a degree of supranational independence from member states. Whereas Uruguay and – to a lesser extent – Paraguay insisted on this (Feldstein de Cárdenas *et al.* 2006: 8), Argentina and Brazil only agreed to an indirect access, either through the respective government (Olivos 2002d: Art. 39-44) or through the referral from a supreme court. Both paths left it to the discretion of governments or national legislation how easy an access would be in the end. In fact, each Mercosur state has now established different thresholds for the access to the Mercosur dispute settlement and court (Klumpp 2013: 301–39).

[210] i.e. "number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in documents or interviews".
[211] According to Arnold and Rittberger (2013: 117–8) it was actually a proposal from Opertti Badán himself.

The third main conflict line erupted around the extent to which the dispute settlement system – and its court – should be allowed to interfere with national legal systems. Keeping in mind that legal uncertainty had also been one of the motives of the reform debate and that both the lack of incorporation of Mercosur legislation as well as its different interpretation in the member states were reasons for this, Uruguay (and to a smaller extent Paraguay) advocated for the court to have the competence to judge on whether national legislation was in line with Mercosur norms [#47, *ibid.*; #17, *ibid.*]. Also on this matter, Uruguay referred to the EU's example and how the interweaving of national and European legal orders increased legal certainty [#47, *ibid.*]. As a compromise, negotiators agreed on the legal opinions procedure, which would allow the court to develop certain standards on the implementation of Mercosur norms, albeit only in a non-binding form. Having in mind the EU's example, where the Commission initiates the vast majority of court proceedings, the larger states refused to grant the Mercosur secretariat any access to the court. According to a senior Uruguayan official responsible for Mercosur in the Ministry of Foreign Affairs, "there was some fear among the larger states that the Secretariat could become something like the [European] Commission" [#47, *ibid.*].

Stirred, not shaken – mixing a dispute resolution system for Mercosur

As a result of these conflict lines, the negotiations led Mercosur to a dispute resolution system that is a mixture of an arbitration-based system along the WTO's model and a judicial system with traits of the EU's legal system. Whereas the use of ad hoc-panels and the step-by-step approach starting with bilateral negotiations resemble the WTO approach (and build on the previous Mercosur system) (Klumpp 2013: 339f.), the creation of a permanent tribunal with the power to act as a last instance and create jurisprudence, (some) possibilities to interpret Mercosur legislation and (some degree of) access for non-state actors approximate it to the EU. The option for the claimants to choose whether they want their case to be directly decided upon by the standing tribunal (i.e. by-passing the panel phase) or prefer to go through the more sovereignty-protective arbitration system (cf. Klumpp 2013: 279) is an example for this mixture. As participants in the negotiations and involved officials and politicians report, incorporating this option was the only feasible way to accommodate both Uruguay's and Paraguay's insistence on having a quasi-supranational court-based system and the reluctance of Argentina and Brazil to any such solution [see the interview quotes in Arnold and Rittberger 2013: 118–9; #77, *ibid.*; #17,

ibid.] Since all parties to a dispute have to agree to bypass the panel phase, this 'middle path' does not harm the sovereignty-protective larger states.

The same 'mixing' approach was chosen for further institutional elements of the system. For example, whenever the court decides as a unique instance (i.e. instead of a panel), all five judges vote the sentence. Together with the anonymity of their votes, this approach protects the individual judges from pressures of the involved parties and provides certain continuity in legal interpretation. This was introduced as a concession to the advocates of an integrated court system, who again referred to the ECJ's example, where dissenting votes are not allowed [#47, #17, *ibid.*]. But whenever the court decides as court of appeals, only three judges vote: one from each of the disputing parties and a presiding judge assigned by lottery (Olivos 2002d: Art. 20.1). This maintains the sovereignty-protective character of the arbitration system. As a result, the TPR does again lie in between the WTO system, where dissent from individual arbitrators is allowed albeit rarely used (Lewis 2006) and the EU's system, designed to deliver a uniform interpretation of law. Indeed, representatives from Brazil and Argentina tended to refer to the WTO when asked for a model they drew from for their proposals, whereas the representatives from Uruguay and Paraguay mentioned the EU and its ECJ as their role model [Arnold and Rittberger 2013: 122; #47, *ibid.,* #25, *ibid.*]. Such mixture of two already existing foreign templates and their adaptation to the local context (in this case to the local bargaining situation) is a further indicator for lesson-drawing and considered accordingly in table 6.19 below.

Reflecting the rather technical discussions on the matter, also the justifications brought forward by representatives of the Mercosur states were mostly based on functional arguments and a trade-off between different possible solutions. Arguments used referred to increasing legal certainty and thereby also the confidence of investors [#77, *ibid.;* #25, *ibid.*], solving disputes faster (Arnold and Rittberger 2013: 115) and improving the enforcement of the decisions [#17, *ibid.*]. Just one interviewee mentioned that the general wish to revamp Mercosur and to show that it was recovering from the crisis, i.e. a more political argument, had been the main goal of this reform [#47, *ibid.*]. We therefore score the predominance of functional reasoning in the justification of the institutional change as 'substantial'.

While the EU did occasionally highlight in its negotiations with Mercosur that achieving a uniform interpretation of Mercosur norms, either through a standing dispute settlement system or even by developing a Mercosur legal order with direct effect on national legislation, would improve the poor implementation record of regional norms [#01, former EU senior official; #15, senior EEAS official EU delegation to Uruguay; #20, former senior official, MFA Argentina; Commission 2007g: 30–1], we can find no indicators that it had offered any incentives directed at this particular reform. The projects financed by the EU in this field took place before the reform process started or after the reform process but were not known at that point in time (see the next section for more details). We therefore score the relevance of EU incentives directed to this particular reform as 'moderate'.

In a similar vein, the EU did not hide its preferences for an integrated or at least harmonised legal system [#01, *ibid.*; #20, *ibid.*]. But the initiative for the particular reform clearly came from the Mercosur member states. Again, the two smaller states did certainly champion this initiative, but all four took the decision in the context of the relaunch of Mercosur. Nonetheless, no indications could be found that Mercosur actors had actively requested support from the EU. On the basis of this assessment, we score the predominance of Mercosur's initiative as 'moderate'.

Table 6.19 below summarises the assessment of the individual lesson-drawing indicators. In sum, we observe a substantial impact of lesson-drawing in the design of Mercosur's revamped dispute resolution system. Unlike in the case of the Parliament though, lessons were drawn not just from the EU but also from the WTO's arbitration-based system. This dualism is a result of the divergent interests of the four negotiating states. In consequence the EU's impact was selective and especially strong on the two smaller states, which referred to the European example when advocating for an integrated legal system and a permanent court. Argentina and Brazil, however, only drew from the EU as a precautionary example for the activism that a supranational court could develop in combination with an independent secretariat and, at most, referred to the WTO to support their preference for an arbitration system.

Impact of lesson-drawing on the reform of Mercosur's dispute settlement

Indicators (units of assessment in *italics*)	**Score**
relevance of EU incentives specifically directed at the observed institutional change as evidenced in **documents**, **interviews** with	*1*

actors from the EU and its counterpart.	
predominance of initiative by the EU's counterpart as evidenced in documented or reported **requests**, **public discussions.**	*1*
number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in **documents** or **interviews.**	*2*
presence of adaptation of foreign templates to local conditions as a result of functional considerations, manifested in technical **documents** or **interviews**.	*1*
predominance of justifications of the institutional change with functional reasons and/or weighting of alternative policies evidenced in **official documents, public statements or interviews.**	*2*
Impact of lesson-drawing scores as none (0) – moderate (1-5) – substantial (6-9)	**7** **Substantial**
categorisation of *presence* as yes (1) – no (0). categorisation of *predominance* and *number* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found. categorisation of *relevance* as none (2) – moderate (1) – substantial (0).	

Table 6.19: Lesson-drawing in the reform of Mercosur's dispute settlement

Exploring alternative explanations – EU assistance, conditionality and persuasion

As part of its engagement with Mercosur and with its dispute settlement system, the EU used also further instruments to promote regional cooperation. Several EU assistance projects preceded and followed the reform analysed above and participants in the negotiations report that the EU regularly mentioned that Mercosur would profit from increased legal certainty. The possible impact of these instruments is analysed below to increase the robustness of our findings.

As part of its technical assistance to Mercosur, the EU financed three cooperation projects with a focus on Mercosur's legal and dispute settlement system. Two of these projects, which took place in 1997 and 1999 respectively and were undertaken by the same European university consortium, aimed at acquainting judges with the EU legal system through exposure visits to Luxembourg and Brussels and seminars in the region (Comisión 2003: 123–6; cf. list of projects in annex C). With the participation of almost 500 judges from the Mercosur states and Chile, the courses aimed more at breadth than at addressing selected decision- and opinion-makers.[212] In addition, the fact that these activities took place years before the reform process had started makes it improbable that they had a

[212] An exception to this is the participation of the president of the highest Argentinean court in the 1997 courses.

direct influence on the reforms. In fact, several officials with responsibility over Mercosur's institutional development at that time only recall that "with its projects, the EU took influence on a discourse that was already taking place in Mercosur, but it never pushed anything in particular" [#47, MFA Uruguay; similarly #20, MFA Argentina].

The third, and financially more relevant, project started in the summer of 2003 – one year after the reform had been agreed upon by Mercosur states, and before the inauguration of the court in 2004. The project established a group of legal experts. Academics from the EU and the region as well as representatives from the supreme courts of the Mercosur states were asked to produce proposals to further improve the just agreed-upon system. These proposals were to emanate from European experiences (Comisión 2003: 107-108 [3-4}). Since the project started once the key points of the reform had been agreed upon, its influence was limited. The most important proposal made by the group addressed the consultative opinions, for which the detailed process was only spelled out years later, in 2007 (CMC 2007a). Without success, the group proposed that any court should be able to request an opinion from the TPR, much like in the case of ECJ preliminary rulings (Klumpp 2013: 303–5; Dreyzin de Klor 2004b).

The project was requested in September 2002 (Comisión 2003: 135), just half a year after the Protocol of Olivos had been signed off by the four Mercosur states. In principle, this could leave room for a situation in which the EU would have conditioned its support to the inclusion of specific details in the reform (i.e. that the EU would have exerted conditionality on Mercosur). An evaluation of the project documentation allows discarding this hypothesis because the project only involved experts, did not provide any kind of institutional support to the TPR or any other Mercosur institution that could have served as an incentive, and was clearly set up upon the EU's own initiative – to the extent that Mercosur authorities complained about not having been informed about this initiative (Comité de Cooperación Técnica del Mercosur (CCT) 2003a: 6; 2004a: 8–9).

In a similar vein, while we find evidence that the EU argued for a strengthening of Mercosur's legal system and dispute resolution as a path to improve the low implementation rate of Mercosur norms [#01, *ibid.*; #15, *ibid.*] none of the involved Mercosur officials recalls that the EU had exerted any particular influence to persuade local actors towards any direction [#47, *ibid.*; #17, *ibid.*; #25, *ibid.*]. Quite to the contrary, the EU's example was used by the Paraguayan and Uruguayan proponents of a more legalised

and more institutionalised system to add weight to their proposals and to explain to a larger public why these reforms were necessary [#02, expert and former senior official at Argentinean MFA].

Synthesis

Summing up the analysis of the different causal mechanisms that could have conveyed an EU influence on the creation of Mercosur tribunal (a substantial institutional change in terms of our assessment), we observe that there is strong evidence for a high impact of lesson-drawing and no sufficient evidence for an impact of the causal mechanisms associated with the EU's provision of technical assistance (assistance and conditionality) or its political relations (persuasion).

While we observe a strong impact of lesson-drawing, our case study also exemplifies how lesson-drawing can work in a highly selective way. Both the sources from which the lessons were drawn as well as those who drew the lessons are select. In a context in which Mercosur was split in two camps, the EU's example was referred to by the smaller states, who advocated a more integrationist approach. For them, the EU served to substantiate their argument. The other camp, led by the two larger and powerful states Brazil and Argentina, acted similarly. It used the WTO's example to make the case that a less intrusive system would also increase legal certainty in Mercosur. In this context, the EU's example served to empower those who were already in favour of a more legalised and supranational approach. Be it deliberate or a matter of coincidence, the EU's technical assistance also concentrated on the community of expert practitioners (judges, lawyers, etc.), of whom we can assume that they were mostly in favour of stronger legalisation of Mercosur – much like in the previously analysed case of FOCEM.

Under Mercosur's consensus system, this 'selective lesson-drawing' culminated in a situation in which local conditions, constraints and inspiration from the EU and the WTO came together to produce a hybrid system that combines elements from an EU-inspired court-based system and from an arbitration system based on the WTO's Dispute Settlement and the previous Mercosur system (itself adapted from the NAFTA agreement, Klumpp 2013: 34). After Uruguay had made clear that it would not accept an agreement without a permanent court, and as the reform of Mercosur's dispute settlement was a less politicised

issue than the creation of the Mercosur Parliament, the negotiations were mostly conducted by experts. This and the technicality of the issue probably helped in reaching a compromise based on mixing two systems that – *a priori* – belong to two different traditions. Much like in the case of the Parliament, EU influence could only come to fruition after a "critical juncture" had opened up a window of opportunity and local actors started looking for foreign institutional templates.

This analysis confirms the influence of the EU's example on the design of Mercosur's dispute settlement. While the court began its existence quite actively up to declaring itself competent in cases where this was disputed (Klumpp 2013: 275–7), its later record places it quite far away from being an 'activist court' in the line of the ECJ's tradition. At the time of writing, the court has issued three legal opinions (two are underway) and six rulings (Tribunal Permanente de Revisión 2018). Paraguay keeps demanding the installation of a "real court of justice" (cf. Perotti 2015; Ele-Ve 2015b)

Conclusion

The analysis of the EU's region-building activities towards Mercosur and the assessment of their impact allow us to answer our first and second sub-research questions with regard to this region. In addition, the conjunction of the results of the four case studies contributes to a broader picture on the interrelation between institutional change, EU instruments and the impact of different paths of EU influence.

We already drew a conclusion as to the EU's use of instruments to promote regional cooperation, our independent variable, at the end of sub-chapter 6.2. At that point we concluded that *the EU used instruments from all three policy fields distinguished in our definition of the independent variable: trade and economic relations, development cooperation and technical assistance, and political relations. Certainly, cooperation and technical assistance is the most prominent field.* The scores for the individual instruments are shown below, ranked according to the intensity of their use:

IV: Use of EU instruments / Mercosur	
Technical assistance and cooperation	Strong (12/16)
Trade and economic relations	Medium (11/16)

Political relations	Medium (9/16)

Table 6.20: Overview EU instruments towards Mercosur

With a view to the four case studies, we can now also reply to our second sub-research question 'To what extent is the EU able to influence the emergence and development of regional cooperation?' for the EU-Mercosur relationship. The table below sums up all the assessments for each of the case studies.

Case study	DV: institutional change	CM: Paths of EU influence (in grey: not significant scores)
FOCEM	**4 Substantial**	**Lesson-drawing: substantial (6/9)** Persuasion: none (3) Emulation: none (1/7)
Macroeconomic coordination	**2 Moderate**	**Assistance: substantial (5/6)** **Lesson-drawing: moderate (5)** Persuasion: none (5) Emulation: none (1/7)
Parliament	**4 Substantial**	**Lesson-drawing: substantial (7/9)** **Assistance: substantial (4/6)**
TPR	**3 Substantial**	**Lesson-drawing: substantial (7/9)** Persuasion Emulation Conditionality

Table 6.21: Overview of the case study results EU-Mercosur

EU influence on regional cooperation in Mercosur – SRQ2

First of all, we observe that all four cases of institutional change have been influenced by the EU. This implies that the EU's attempts to influence the emergence and / or further development of regional cooperation can be considered successful. The picture is the same for the two fields market integration and institutions for regional cooperation, with no significant differences emerging as to the EU's influence.

Institutional change cannot be ordered

Beyond this general assessment, several conclusions can be drawn from the causal mechanisms at play, allowing us to dig deeper into SRQ2. First of all, we observe that none of the legitimacy-driven mechanisms (persuasion and emulation) has had an impact on any of the cases studied. This may seem quite surprising: after all, one could expect that a regional organisation such as Mercosur might be eager to profit from EU recognition or be

especially accessible to persuasion from a 'fellow' organisation – even more so in times of crisis as witnessed in all four case studies. On the other hand, the lack of impact of these mechanisms may also be related to Mercosur's relatively limited dependence on legitimation by the EU, as diagnosed in the analysis of the scope conditions. Lastly, the limited role of these mechanisms is consistent with an analysis of the EU instruments in which we witnessed repeated attempts of the EU to convince Mercosur actors of specific policy choices, but these attempts were never described as especially strong. Matching our expectations, we also saw that delegation of power to regional bodies was limited and always bound to 'critical junctures' that justified a conduct that otherwise would have gone counter to the strong attachment to national sovereignty.

Own-initiative and ownership are key

In light of the fact that we have three cases of 'substantial' institutional change and one case in which change was only 'moderate', it is also worth discussing how this variation relates with the paths of EU influence. All three cases of 'substantial' change were accompanied by a significant impact of lesson-drawing (FOCEM, the Mercosur Parliament, and the Court). Like no other of the mechanisms hypothesised, lesson-drawing requires a significant degree of own-initiative and investment (in terms of time, political engagement, technical expertise, etc.) from the EU's counterpart. It seems therefore that proactive initiative from Mercosur is a decisive factor in explaining EU influence. The 'selective lesson-drawing', where Mercosur actors actively chose from different systems and adapted the templates to the local needs for their Permanent Court of Appeals, is paradigmatic for the importance of own-initiative. The fact that EU experiences and proposals were always adapted to local conditions further substantiates this observation.

EU assistance, a path of influence mainly driven by the EU both in terms of initiative and investment, only plays an important role in one of the cases of substantial institutional change, namely in the set-up of the Mercosur Parliament. In this specific case, EU assistance was a necessary, but not a sufficient condition for EU influence. In a process that we termed 'assisted lesson-drawing', the EU enabled Mercosur actors to – once again: on their own initiative - draw lessons from the European experience. EU assistance played a similar role in the creation of a macroeconomic coordination regime for Mercosur (albeit we only had a 'moderate' institutional change in this case). The EU's technical assistance project connected the different Mercosur actors with each other. But this platform of

technicians only played a significant role in shaping Mercosur's institutions once macroeconomic coordination and, by implication, statistical cooperation, became politically relevant. While the EU remained at the helm and kept providing the ideas and funds, Mercosur's grown initiative and political support became visible as it adapted the EU proposals to its own agenda. At this point, and only at this point, EU technical assistance had an impact on institutional change. These results suggest that EU assistance does only have a supportive role. These patterns may well be different in a case in which the EU does have a stronger influence on its counterpart, such as in the Western Balkans. We now turn to assess the EU's impact on regional cooperation there.

7 Empirics II: EU-Western Balkans

> *"I came to say that Bosnia and Herzegovina has a true friend in Serbia. We show that friendship through respect for the territorial integrity of Bosnia, and through strengthening economic and political bonds" (Serbian president Vučić, as quoted in Rudic 2017)*

When Serbian president Aleksandar Vučić pronounced these words during a state visit to Bosnia and Herzegovina in September 2017, this was not just a considerable twist for a politician that had once been a loyal aide to ultranationalist leader Vojislav Šešelj and who had served under Slobodan Milošević. It was also a considerable twist in relations within the region. Whether these words were just the lip service of a man with a pronounced sense for political opportunity or an honest sign for normalisation of regional relations is not essential at this point. What matters is that such words would have been unpronounceable only years before, putting the Serbian president under harsh criticism back home. At least on surface, relations between the once confronted neighbours in the Western Balkans have reached a degree of political normalcy that resembles transactions between average neighbours. Long before bilateral relations had reached such a degree, contacts between the states in the region began through externally induced regional cooperation.

Region-building in the Western Balkans stood and still stands under a completely different sign than in Mercosur. In the Western Balkans, the objective is to unite a region whose components had actually decided to break up, leading to the bloodiest wars that Europe had seen in seven decades. The implosion of Yugoslavia in the 1990s left every regional endeavour under suspicion. Regional cooperation was certainly not a voluntary endeavour in the Western Balkans, rather a necessity imposed by the international community.

Promoting regional cooperation in the Western Balkans became an important part of the EU's strategy towards the region especially after the end of the Kosovo War in 1999 and with the accession to power of pro-EU governments in the at that time FR Yugoslavia and in Croatia in 2000. It is tightly connected to the promise that "the future of the Balkans is within the European Union", which the EU spelled out in 2003 as part of the 'Thessaloniki Agenda' (EU-Western Balkans summit 2003b). Together with 'good neighbourly relations', regional cooperation represents one of the political criterions set up for the EU accession of the Western Balkans states. This connection provides the EU with powerful incentives and

levers, but it also places EU promotion of regional cooperation in a delicate balance with the eminently bilateral accession process, based on the regular assessment of the individual merits of each country.

This chapter is devoted to answering our two first sub-research questions for the EU's relationship with the Western Balkans: '*what instruments does the EU employ to promote regional cooperation?*' and '*to what extent is the EU able to influence the emergence and development of regional cooperation?*'[213] The chapter follows the same structure as the preceding empirical chapter. It first analysises the context of the EU-Western Balkans relationship and assesses the first two scope conditions: degrees of statehood and power asymmetries (7.1). Sub-chapter 7.2 answers *'What instruments does the EU employ to promote regional cooperation?'* for the Western Balkans. Much like in the case of Mercosur, it demonstrates that the focus of the EU's efforts in encouraging integration in the region lay in two fields: market integration and in building a dense web of regional institutions to open up and encourage room for often issue-specific regional cooperation. On this basis, three case studies are selected. These are analysed in sub-chapters 7.3 and 7.4. The final sub-chapter draws conclusions across the cases studied in this chapter. The structure of the chapter is reflected in the figure below.

[213] The third sub-question is answered in the cross-case analysis. It draws from variation in the scope conditions, which are depending on each region.

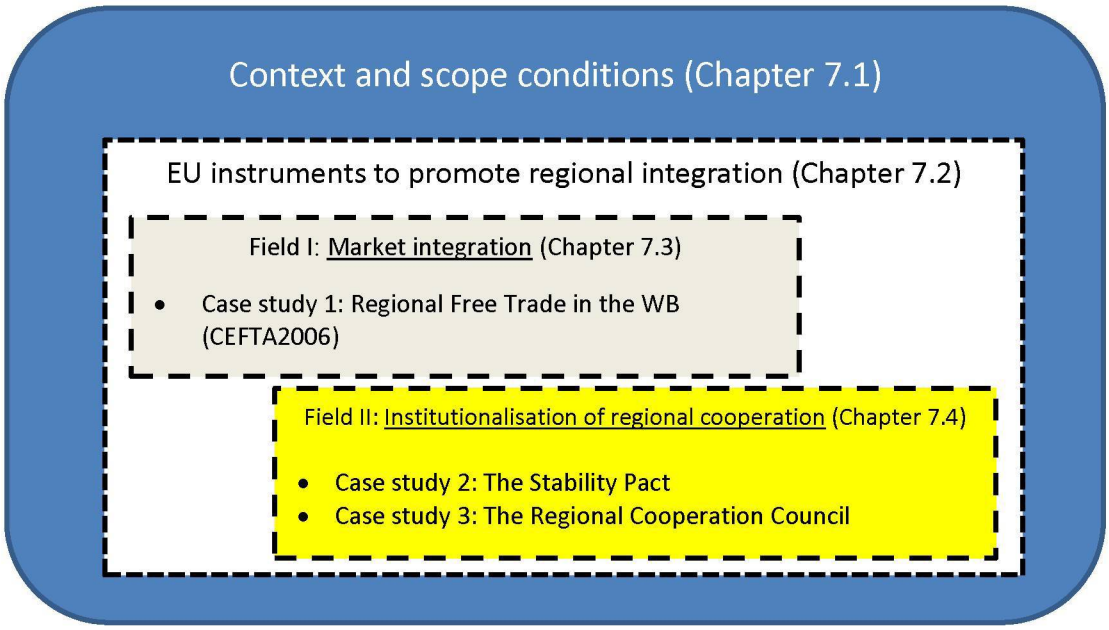

Figure 7.1: Overview of the study EU-Western Balkans

7.1 Context and scope conditions

Despite most of its states having been united in a federation for decades, the Western Balkans has never been a homogenous region. The wars in the nineties contributed to exacerbate the differences in development and to encapsulate most of the states in ethnically or nationally defined units suspicious of each other – often eager to place differences over commonalities. Peace could only be achieved at the expenses of political arrangements that installed delicate and often politically cumbersome checks and balances, the paramount example being the constitution of BiH. This context will be analysed in the following pages, with a special focus on assessing two of the scope conditions presumed to influence our causal mechanisms: the degree of statehood in the region and the power asymmetries between the EU and the Western Balkans.

7.1.1 No love affair: regional cooperation as a matter of circumstances - degrees of statehood

The Western Balkans is certainly a case in point when arguing that regions in a political sense are not natural givens, but man-made constructs. As highlighted especially by Dimitar Bechev, the term – and together with it the region – 'Western Balkans' is the product of a threefold semantic and political challenge that the EU confronted towards the end of the 1990s.

With its increased emphasis on regional cooperation policies, the EU needed a term to 'bundle' the region. At the same time, it had to avoid any impression that it was promoting the re-instauration of the former Yugoslavia against which most of the states in the region had risen. The second challenge consisted in accommodating two outliers: Albania, on one hand; Slovenia, on the other. Albania had never been a part of Yugoslavia, but its interdependence with the rest of region advised for its inclusion in any regional endeavours. At the northern end of the region, Slovenia had managed to largely separate itself from the fate of the other states in the region through its early declaration of independence in 1991 and resisted to be seen as part of the so-called 'Yugosphere'. More often than not, the 'Western Balkans' are interpreted without Slovenia.[214] The third and last challenge arose from the EU's accession dynamics. As much as Slovenia rejected to be perceived as part of the troubled region, Bulgaria and Romania – seeing themselves on a steady path towards EU membership – fought any attempt to be pigeonholed with the negatively connoted 'Balkans'. The term '*Western* Balkans' clarified the boundaries and allowed the two countries to present themselves as part of Central and Eastern Europe (cf. Bechev 2006b: 21–2). Tellingly enough, neither 'Balkans' nor 'Eastern Balkans' are regularly used in EU vocabulary. Later on, with Kosovo's 2008 declaration of independence, the term allowed to (slowly) accommodate Kosovo in regional gatherings without having to unanimously settle the question of recognition.

Coined by the EU, and with the firm support of most of the international community, 'Western Balkans' became the term to define the region. It is a fluid term, as shown by the fact that states 'cease' to be part of the Western Balkans as they accede to the EU – leading to formulations such as the currently used 'Western Balkans 6' (e.g. Commission 2017).[215] This fluidity does not only relate to the political nature of the definition, but it is also coherent with a region that is heterogeneous in many aspects.

[214] See for example The Economist (2003c).

[215] The term allows highlighting the different status of EU members Slovenia and Croatia and also avoids defining Kosovo as a state, allowing for Serbian participation and reflecting the sensibilities of those EU states that have not recognised Kosovo's independence.

This heterogeneity becomes obvious with a look at both population and GDP numbers (see below), but does also span further when we look at the social aspects of our scope condition 'degrees of statehood'.

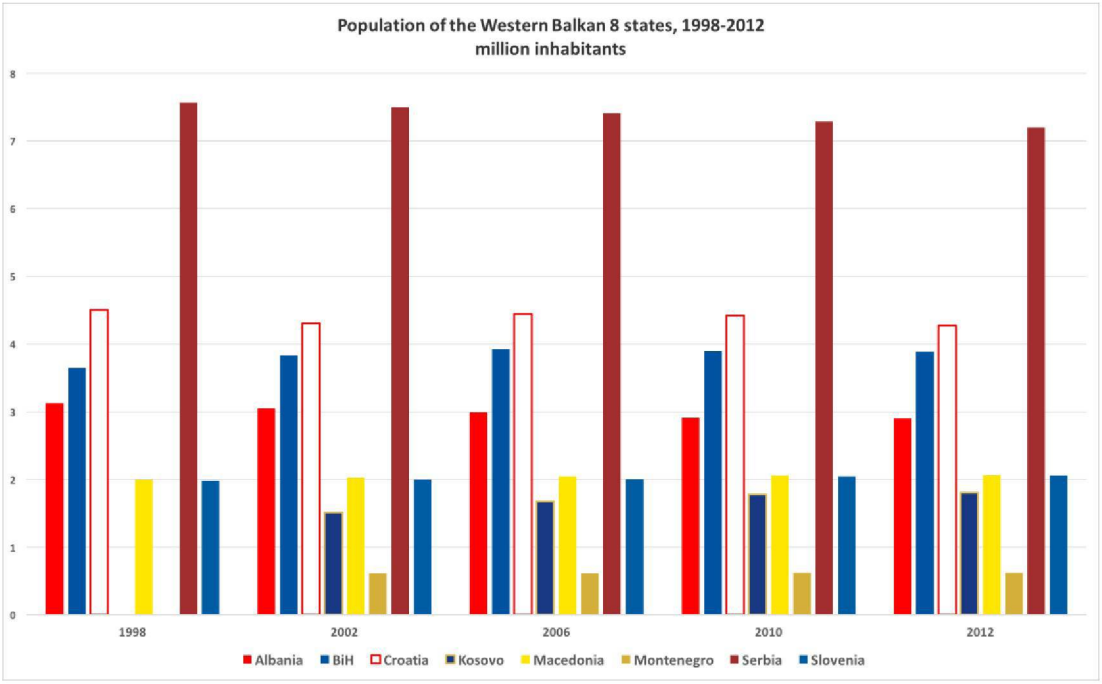

Figure 7.2: Population of the Western Balkans 8 states
Source: International Monetary Fund(2016)

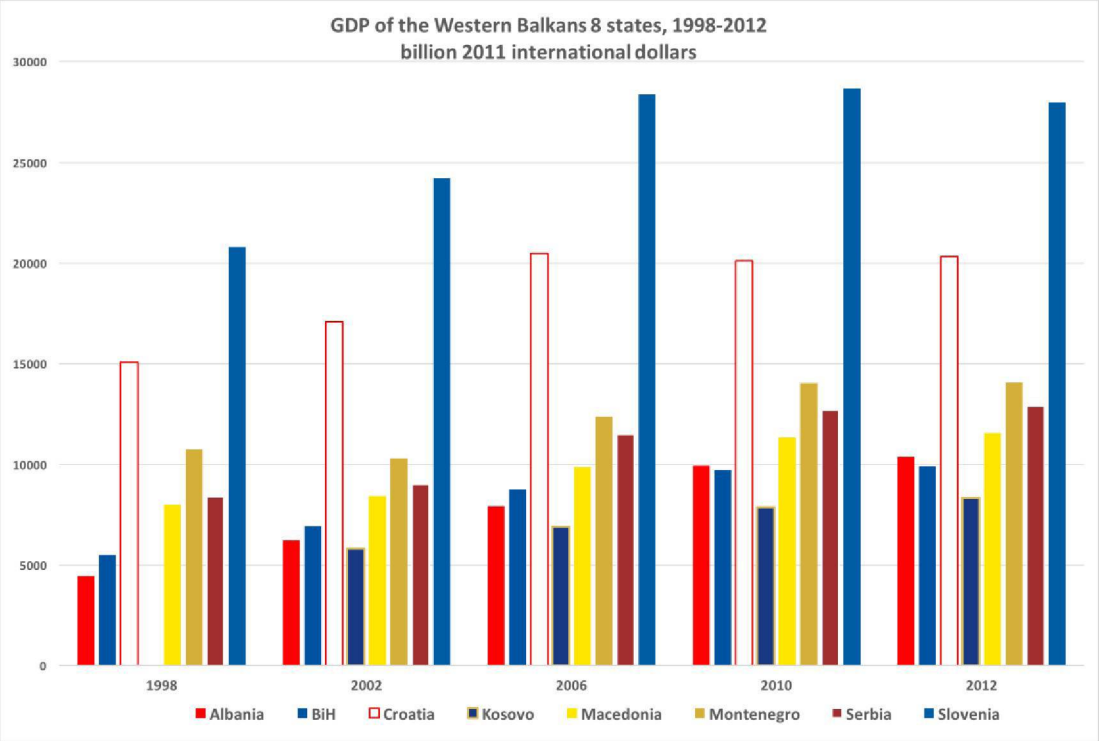

Figure 7.3: GDP of the Western Balkans 8 states
Source: World Bank(2016).

As a result of the break-up of Yugoslavia, the Western Balkans is by no means a region in which regional cooperation is positively connoted. Quite differently to Mercosur, regional cooperation is not perceived as something positive by itself, but interpreted and promoted in a rational way. It is seen as an effort that makes sense for a number of functional reasons (i.e. economic development, transport, security, etc.) and as a prerequisite for EU accession [#34, former Commission official in Kosovo EU Office; #31, member of the cabinet of Enlargement Commissioner Štefan Füle; #61, former Croatian assistant minister for European Integration; #49, senior official, Serbian MFA; #66 and #67, officials, Serbian EU Integration Office, #51, EEAS official].[216] The attachment to national sovereignty differs across the states of the region, but can be seen as generally strong – with the exception especially of BiH, where opposition to the constitution developed as part of the Dayton Peace Agreement is sturdy and loyalties are stronger towards ethnically defined entities and groups than towards the state (Office of the UN Resident Coordinator in Bosnia and

[216] A thought often repeated by officials from the Western Balkans states was "regional cooperation is a good training to prepare us for membership" [i.a. #61, *ibid.*; #73, senior official at the Ministry of Foreign Trade of BiH; #76, former assistant foreign minister of Serbia and Montenegro].

Herzegovina and Prism Research 2015: 26-29, 44). In the rest of the region, polls reveal a consistently high attachment to the preservation of an often ethnically-defined national sovereignty (cf. Nordman 2016; and the poll data quoted in Biermann 2014: 491).[217] In the specific regional context, this situation is – a priori - likely to exacerbate opposition to regional cooperation endeavours if these involve a delegation of power to institutions above the states. At the same time, public support for EU accession is generally high in the eight states (Regional Cooperation Council 2017: 55; 2015: 45) and regional cooperation is clearly accepted as a prerequisite for EU (and NATO) accession. This situation again shows the eminently rational, or even transactional, nature of most of the support to regional cooperation.

These circumstances lead us to expect that regional cooperation will often be connected to external pushes, specific incentives or practical considerations, but never free from difficulties arising from historical, political or other tensions. This context may make impulses in regional cooperation less dependent on 'critical junctures' (Collier and Collier 1991: 29–31) than in the previously studied cases with Mercosur. In light of the historical burdens, every step towards closer cooperation in the Western Balkans will always be fraught with meaning and heavy on symbolism, but symbolism is unlikely to be the driver – 'managerial politics' (Hoffmann 1966) are more likely to be relevant. This assessment has focused on the elements of statehood that pertain to a social ontology. Beyond this, statehood in a more traditional, material, understanding – defined as the degree to which the state is able to "adopt, implement, and enforce decisions" (Börzel and Risse 2012a: 11) – may also have a strong influence on the ability and willingness of governments to react to external influences to encourage regional cooperation and integration.

Like in the analysis of the Mercosur region, we focus on the administrative capacity of the states that engage in regional cooperation and resort to data from the Worldwide Governance Indicators (WGI) project for that purpose. In particular, we again use the WGI indicators for two components of governance that are important in our analysis: government effectiveness and rule of law.

[217] This does also include significant degrees of adherence to ethnically-defined pan-national projects, such as 'Greater Albania'.

When scrutinising this data for the six to eight[218] states for the time period under analysis (1999-2012), a number of traits become apparent. First and most prominently, Slovenia's detachment from the region becomes obvious both in terms of its government effectiveness and its rule of law. It clearly outnumbers all other states in the region, with a rank that places it among the world's best-performing quintile. Secondly, we see that the the region falls apart in three groups, both in terms of government effectiveness and rule of law. Slovenia, Croatia and Montenegro belong to a 'top group', showing scores comparable to lower-ranking EU member states, while those of Albania, BiH and Kosovo clearly place them in a group of laggards. Serbia and Macedonia rank in between, being very close to the 'top three' in terms of government effectiveness, but clearly behind when it comes to the rule of law. Furthermore, BiH's poor record in government effectiveness places the country among the world's lowest quarter and widely behind the rest of the region. It is also the only country in the region that does not show a relatively constant positive trend. In general terms, we also observe that government effectiveness fares considerably better all across the region than rule of law. This is often seen as the result of relatively wide-spread political patronage and growing challenges to the separation of powers (cf. Brusis 2016; Bertelsmann Stiftung 2012a; 2012b; Bertelsmann Stiftung 2012c and earlier reports). The data is reported in the two figures below, with the full scores available in annex C.

[218] Both Montenegro (2006) and Kosovo (2008) declared independence during the timeframe of analysis. Montenegro did so after holding a referendum foreseen in the constitution of Serbia and Montenegro, while Kosovo's independence is not recognised by Serbia.

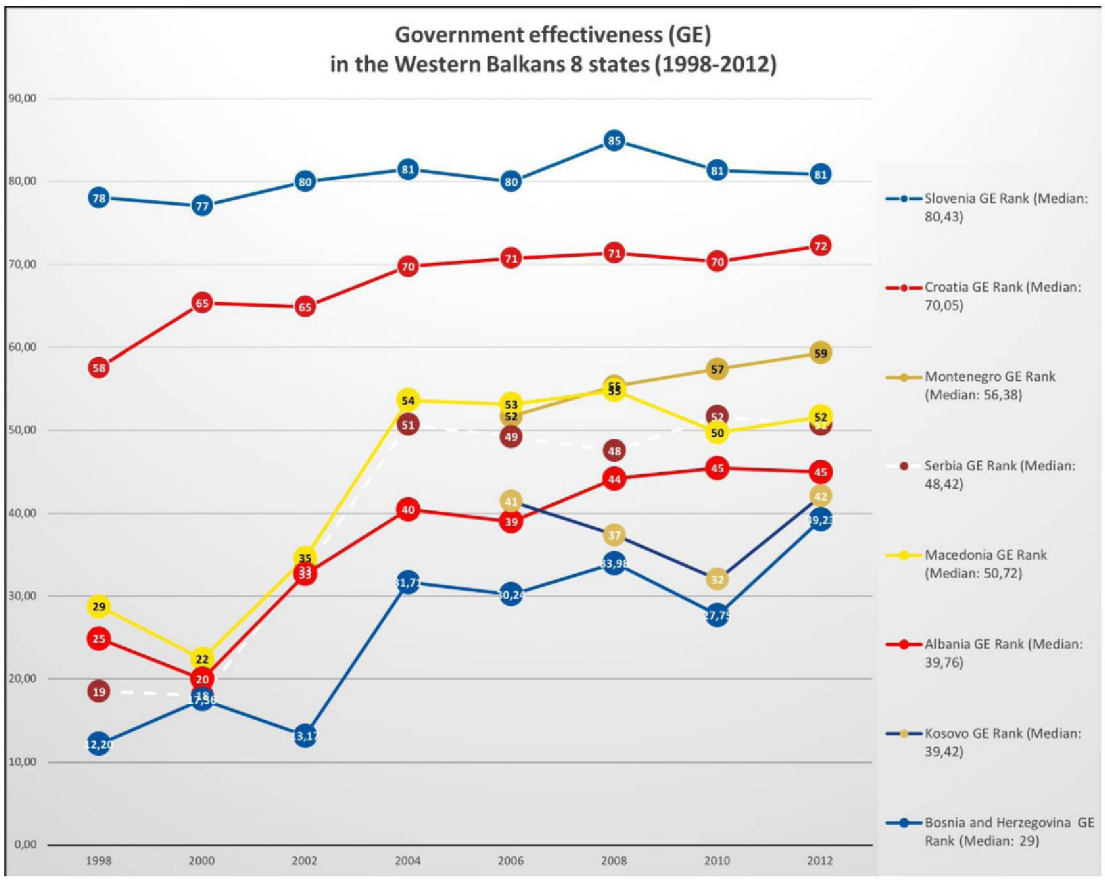

Figure 7.4: Government effectiveness in the Western Balkans 8 states (1998-2012)

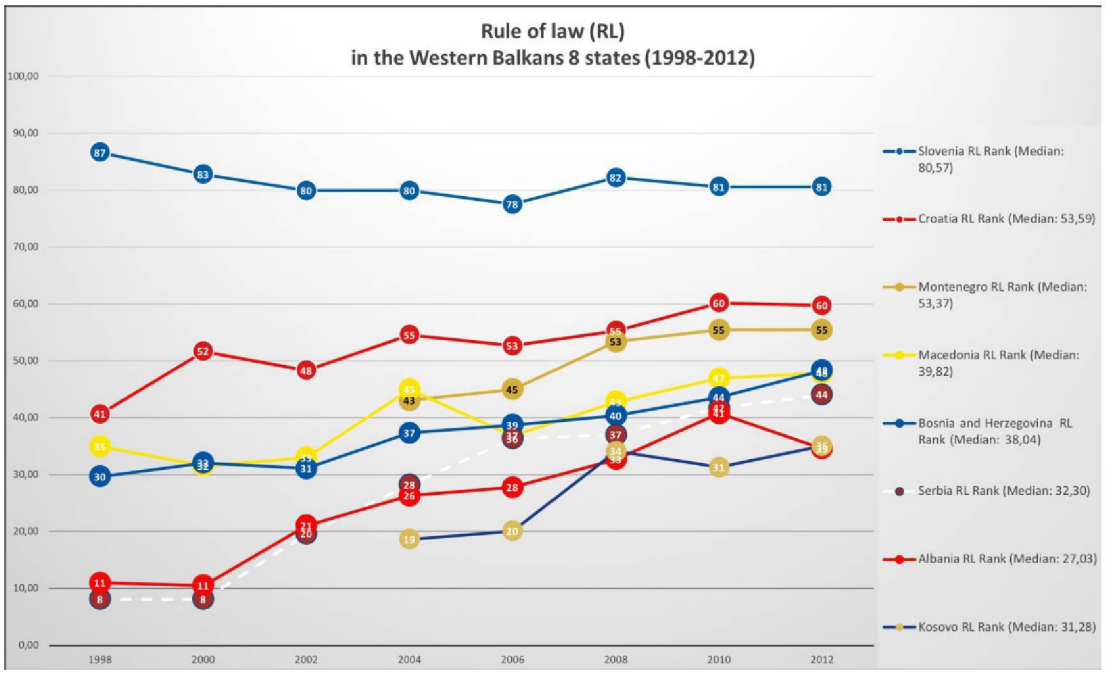

Figure 7.5: Rule of law in the Western Balkans 8 states (1998-2012)

Source: Own figures with WGI scores on government effectiveness (GE) and rule of law (RL). The number shows the relative position in percentage among all countries analysed, with 0 being the lowest and 100 the highest possible score. The median for the years 1998-2012 is reported on the right.

Taken together, the analysis of statehood in the Western Balkans draws the picture of a region that shares a numbers of characteristics, but where differences and to some extent also centrifugal forces are a prominent pattern. Circumstances and shared challenges, rather than fundamentals and convictions, draw the region together. The most prominent of these circumstances is the incentive of EU accession, which casts forth into the specific field of regional cooperation. The strong attachment to national sovereignty in the majority of the states is only overlaid by an eminently functional support for regional cooperation. The fragility of this situation became obvious with Kosovo's declaration of independence and Serbia's initial boycott to regional cooperation formats with a presence of its former province (e.g. Lehne 2012). Over time, and possibly as a consequence of the normative power of the shared circumstances, Serbia accepted different imaginative solutions to accommodate Kosovo (of which the afore-mentioned denomination 'Western Balkans 6' is just one way to avoid defining Kosovo as a state in regional gatherings).

The differences between a top, middle and low tier of states in the capacity to enforce decisions exemplifies the heterogeneity in the region, in line with the GDP and population data. In practical terms, statehood in a material sense seems to be high enough in all states of the region not to be a hindrance for regional cooperation – with the marked exception of BiH. Much like in the Mercosur region, albeit for completely different reasons, the main difficulty seems to stem from the strong attachment to national sovereignty.

7.1.2 Power asymmetries – EU leverage on the Western Balkans

EU leverage on the Western Balkans is extremely strong across all the fields considered in our scope condition 'power asymmetries': economic dependence, provision of political legitimacy and even provision of security.

We again approximate economic dependence through indicators for trade, foreign direct investment and development assistance flows. In terms of trade flows, the EU's position vis-à-vis the Western Balkans is not just strong but almost hegemonic. It goes as far as being much more important than any trade flows between the neighbouring states. The EU has been the region's most important trade partner in terms of volume over the whole period of study (1998-2012). In 2012 the EU accounted for 70 % the region's trade in goods, a share largely consistent with the previous years. The region's trade relationship with the

EU is extremely asymmetric, with the Western Balkans accounting for less than 1 % of the EU's exports and imports in 2012 and before. This is true despite exports from the region to the EU having continuously grown since the EU granted autonomous trade preferences to most of the countries from 2000 on as these concluded so-called Stabilisation and Association Agreements (SAAs) with the EU (DG TRADE 2013 and previous).

The EU is also the largest investor in the region, albeit with a diminishing share over the last years and with the single exception of Montenegro, where Russian FDI has risen to the first position over the last years (Estrin and Uvalic 2014: 296–7). In a similar vein, the EU and its member states are the largest suppliers of ODA to the states in the region – and the EU is the largest donor to regional cooperation initiatives in the Western Balkans by far, albeit the US, Canada and Switzerland do also play a role in this particular field.[219] In sum, it becomes clear that the EU has a very strong economic leverage over the Western Balkans – probably the largest it has over any other region in the world.

Power asymmetries between the EU and the Western Balkans are not limited to economic matters. The EU does also play a decisive role as a provider of security in the region. European provision or assurance of security in the region becomes obvious when looking at the two CSDP missions still operating in the region: the military mission Eufor Althea in BiH (since 2004) and the civilian rule of law mission Eulex Kosovo. Three further CSDP missions of different sizes operated in Macedonia between 2003 and 2006. Despite this important role of the EU, security is not a one-way street in the Western Balkans. The region is an important factor in European security as a whole. The Yugoslav wars in the 1990s made clear how conflicts in the region can affect the whole continent through forced migration. Instability and the poor rule of law have made the region a safe harbour for different types of organised crime, together with its geographical position they have also contributed to make the region an entry path for irregular migration into the EU. It is therefore appropriate to say that the Western Balkans' dependence on external provision of security is nuanced by the fact that regional insecurity can irradiate into the rest of Europe.

Finally, the Western Balkans quite clearly depend on the provision of international legitimacy and recognition by the EU. In its most technical expression, this dependence

[219] Calculated for aid commitments in the years 2005-2015 (latest data available) using data from the OECD Creditor Reporting System for development assistance.

becomes visible as part of the accession process in which all countries in the region have been involved since 2003. An asymmetric relationship *par excellence*, the qualification of the countries in the region to climb further steps in the accession ladder depends on regular assessment reports from the European Commission and on their endorsement by the Council of Ministers. Essential by themselves, these reports do furthermore impact on the activities of further international actors, spanning from the International Financial Institutions to foreign investors or the WTO. From the point of view of a social ontology, the perceived degree of 'Europeanness' is an essential element in the self-esteem of most countries in the region and perceived as a criterion for modernity and much-sought normality (cf. the Balkan Barometer data RCC 2015: 45–6; 2017: 55–6).

Summing up, we observe extreme power asymmetries between the two regions in favour of the EU. These asymmetries are based on the very important role of the EU as an export market for the Western Balkans, as the region's most important foreign investor and as its most important contributor of ODA – all these figures coupled with an almost neglectable relevance of the Western Balkans for the EU in the same fields. In addition, the countries in the region rely on the EU for the provision and assurance of security, especially in BiH and Kosovo. Quite clearly, the region does also depend on the EU for the provision and recognition of international legitimacy. Most obvious in the context of European integration, this effect can also be interpreted in connection with the aforementioned 'transactionality' of support for EU-sponsored regional cooperation. It remains to be seen in how far conviction trumps functional considerations once the incentive of EU accession is no longer there. In general terms, and with the exception of those states that have been acceding to the EU[220], the large asymmetries between the Western Balkans and the EU have remained stable over time even if they have been gradually diminishing. These stark asymmetries are likely to leverage EU influence on the regional cooperation and will be taken into account during the analysis of the EU's impact in the following sections and for the cross-case comparison in chapter 0.

[220] Slovenia in 2004 and Croatia in 2013, after our time frame of analysis.

7.2 EU engagement and case-study selection

The Western Balkans plays a constitutive role for EU external action. It was the traumatic experience of the EU's inability to prevent or even to adequately react to the wars that accompanied the breakup of Yugoslavia that led the EU to sketch out a 'European Security and Defence Policy' and to install a 'High Representative for the Common and Foreign Security Policy' in 1999, two of the so far strongest affirmations towards a common European foreign policy. Even nowadays, the region is often described as the EU's "number 1 geopolitical challenge" (Fouéré & Blockmans 2017).

In line with this paramount importance, the EU has been deploying all its tools and instruments to stabilise and integrate the region, spanning from diplomatic relations, over cooperation even in military terms up to the offer of EU accession to all the Western Balkans states – with all the financial and political implications this entails. In contrast to the previous enlargement round, Western Balkan states do not only have to show that they are fit for accession individually but also collectively.

Ever since, fostering regional cooperation has been high on the EU's agenda towards the region. It pursues a strategy that tries to strike a balance between the eminently bilateral accession process and the criterion that the states in the region will only be accepted as EU members if they achieve a sufficient degree of regional cooperation. While this *junctim* provides the EU with considerable levers, it also has to confront the accusation that it ties the fate of individual states to that of their neighbours. Above all, this strategy shows that regional cooperation is externally driven rather than internally motivated. The following section will sketch out the EU's strategy in promoting regional cooperation in the Western Balkans and the main instruments used.

7.2.1 Building a region that doesn't want to become a region – the EU's strategy towards the Western Balkans

From the Regional Approach to the SAP – striking the balance between regional objectives and bilateral incentives

Support to regional cooperation in the Western Balkans played a role in the EU's strategy well before the change of governments in Croatia and Serbia in 1999 and 2000 allowed it to offer an accession perspective to the whole region.

From 1996 on, shortly after the Dayton Peace Agreement had been signed, the Commission pursued what it called the 'Regional Approach'. Upon the conditions of political and economic reforms, reconciliation measures and regional cooperation, it offered the states in the region (except FR Yugoslavia and Croatia) a number of incentives. Easier access to the European market through autonomous trade measures, reconstruction aid, trade and cooperation agreements as well as financial assistance similar to that provided to the Central and Eastern European states were the main stimuli (Bechev 2011: 45–6; 2006a: 32; Altmann 1998: 504–5; Commission 1996). While the 'Regional Approach' emphasised regional cooperation as a criterion to improve relations with the EU, it was built on bilateral measures and incentives – mirroring the experiences made with the accession process. Driven by the Commission, the Regional Approach stood in a certain competition to regional policies initiated by the Council and individual member states. These policies, beginning with the French-sponsored Royaumont process launched in 1996, built on regional instruments such as parliamentary and senior officials meetings, but did not use the considerable resources and (trade) competences that the Commission could bring into its Regional Approach.

For several years, this competition became characteristic for EU policies towards the region. Occasionally it was accompanied by caginess between the politically-minded Council and the Commission, reputed as being too "technical" or even "square-minded" [#14, former senior Council official; also #72, former Stability Pact official, Rotta 2008]. As a result, the story of post-conflict EU engagement in the Western Balkans is as much a tale of bringing together all EU instruments as it is one of coordinating the different regional initiatives and bilateral incentives. This coordination did only develop over time, with the policy mix devised in 1999 being the most important step into that direction.

1999 saw the creation of a policy framework still in place today. In June, the Cologne European Council endorsed the Stability Pact for South-East Europe (European Council 1999: 63–77). A German initiative, the Stability Pact emphasised the role of regional cooperation and also included the neighbouring states of the Western Balkans. It resembled the OSCE's (Organisation for Security and Co-operation in Europe) three baskets, focusing on three 'working tables' around which it brought together the states in the region: democracy and human rights, economic reconstruction and development, and

security (Stability Pact 1999b: 14; Bechev 2011: 50–4). The main agenda of the Pact was to build trust among the countries in the region and to encourage them to find agreements on specific policy fields. These agreements would then be reciprocated by aid commitments from the international community.

On the Commission side of things, 1999 saw the creation of the Stabilisation and Association Process (SAP). Modelled after the accession process, the SAP sets out a ladder of conditions and incentives for the rapprochement of the Western Balkan states to the EU. In this ladder, the negotiation and conclusion of bilateral agreements between the EU and the states are the most decisive steps. These Stabilisation and Association Agreements (SAA) offer improved access to the EU market and considerable technical and financial assistance to the countries in the region. Unlike with the Regional Approach, which rested on unilateral concessions, the trade preferences and further EU commitments under the SAP are contractually fixed for longer periods of time. The SAP places a strong emphasis on facilitating regional cooperation. For example, the SAAs and the negotiations to conclude them require the Western Balkans states to dismantle tariffs inside the region and to grant their neighbours the same rights of establishment and employment than their own businesses and citizens. These and further conditions for regional cooperation are enshrined in the individual SAAs (Bechev 2011: 58–9; Commission 1999). The SAP can therefore be seen as the first meaningful attempt to bridge the division between regional and bilateral approaches.

With the election of reformist governments in Croatia and the FR Yugoslavia in 1999 and 2000, the SAP was opened up to these two countries as well. An EU-Western Balkans summit in Zagreb in November 2000 served to celebrate the pro-European commitment of all the states in the region, a commitment that was met by the EU with the "prospect of accession [..] offered on [...] the progress made in implementing the stabilisation and association agreements, *in particular on regional cooperation*." (Zagreb Summit 2000: 4; emphasis added). The 2003 Thessaloniki European Council and the ensuing EU-Western Balkans Summit added further political impetus to this objective and established a certain hierarchy, declaring the Stability Pact "complementary" to the SAP (EU-Western Balkans summit 2003b: 9).[221] Still, the balance between regional objectives

[221] To a certain extent, the relatively recent 'Berlin process' of regional summits between selected EU member states, different EU actors and the Western Balkans can be seen as an effort to provide new

and bilateral incentives and the individual assessment of each country remained a difficult one.[222]

A plethora of regional cooperation initiatives were and are still pursued in the context of these two frameworks, ranging from individual projects financed through technical assistance, over sector-specific cooperation initiatives (e.g. on corruption prevention or military cooperation, to mention just two) to the negotiation of large regional agreements on trade or energy. In line with our operationalisation, this section assesses to what extent the EU used instruments from the following three policy fields to encourage regional cooperation: development cooperation and technical assistance, trade and economic relations, and political relations. This assessment allows us to evaluate our independent variable 'Use of EU instruments to promote regional cooperation' and reply to our sub-research question 1 "What instruments does the EU employ to promote regional cooperation?" for the EU-Western Balkans relationship.

Technical assistance: reconstructing a region and building its institutions

No other region comparable in size has received the amount of EU technical assistance and development cooperation resources that has been channelled into the Western Balkans since the end of the Bosnia war in 1996. The sheer amount makes it impossible to produce a comprehensive list of individual projects and resources devoted to regional cooperation. It may suffice to say though that the EU has consistently foreseen around 10 % of the funding in its last two multi-year assistance envelopes to so-called regional and multi-beneficiary programmes for the region. Spanning the time-period between 2000 and 2013, these instruments – CARDS and IPA[223] – have included specific programmes to encourage regional and cross-border cooperation (i.e. bilateral or trilateral cooperation in border regions) (Commission 2005b: 9; Rotta 2008: 60; Commission 2010c: 3; Bechev and Andreev

political impetus to EU-Western Balkans relations. Initiated by Germany, the Berlin Process started in 2014 and consists of a series of yearly summits and high-level meetings focusing on increasing 'connectivity' in fields from energy over migration to trade. It has superseded the EU-Western Balkans summits, of which the last one took place in 2013 (cf. Fouéré and Blockmans 2017: 1–3).

[222] For some examples see Rotta(2008: 61–3) or the EP's plea for dissolving the Stability Pact in 2001 (Gack 2001).

[223] CARDS is the acronym for Community Assistance for Reconstruction, Development and Stabilisation, IPA for Instrument for Pre-Accession Assistance.

2005: 14). The preceding programme, PHARE[224], did support individual regional or bilateral projects, but focused mostly on alleviating immediate consequences of the wars (Commission 1998: 18-19, 37-39). The current programme, IPA II, has even increased the share of funds devoted to multi-country programmes to 25 % of the overall 11.7 billion € budgeted (Commission - DG NEAR 2017).[225]

Over time, funds for regional cooperation have been subject to the general trends underlying development assistance, for example an increase of the funding devoted to leveraging private or public-sector investments through blending (European Commission 2014b: 29). Also the individual foci or projects have evolved as the states developed, often from reconciliation and reconstruction (e.g. funding for resettlement and basic infrastructure) to economic and social development (e.g. environment, private sector development, cultural heritage; European Commission - DG ELARG 2010b; 2010c; 2010a; European Commission 2013f: 115–21). In terms of our assessment of the independent variable 'Use of EU instruments to encourage regional integration', these 10 % of overall funding with a regional focus translate into a 'substantial' score for our indicator of the absolute and relative budgetary relevance of the projects aimed at fostering regional cooperation (all scores are summarised in table 7.1 below).[226]

This budgetary relevance is very much in line with the unparalleled emphasis that EU actors placed on regional cooperation when planning the different assistance instruments for the Western Balkans. It is almost difficult to find a speech of a senior EU policy-maker that does *not* emphasise how important regional cooperation is for the region

[224] PHARE stands for 'Pologne, Hongrie Assistance à la Reconstruction Economique' and was set up in 1989. It later became one of the instruments to support countries during pre-accession and accession.

[225] 'Multi-country' programmes require several countries to apply together. It is important to note, though, that the numbers for IPA and IPA II include the considerable shares of funds allocated to Turkey and that the multi-country budget also includes programmes to which all countries can apply but which have an eminently national impact (like membership fees to participate in EU agencies or programmes for public sector reform) (see for example Commission 2014b: 12–7).

[226] A comparison to the assessment for the EU-Mercosur case may create the impression that this 'substantial' assessment is overstated since there EU funds with a regional focus amounted to almost 90 % (cf. p. 153). This apparent imbalance is related to the different design of the financial instruments used by the EU. In the Western Balkans, regional cooperation funds were always part of the overall budget devoted to the region – i.e. bilateral *and* regional programmes – leading to the 10 % mentioned above. In the case of Mercosur, the regional organisation as such had a dedicated budget in which regional cooperation objectives played the most important role. In addition to this budget, bilateral aid to Latin America is channelled through different instruments in the overall Development Cooperation Instrument (DCI) and the previous ALA Instrument (Amérique Latine, Asie).

and in the EU's assistance. (e.g. Füle 2012: 1; Rehn 2007; 2008). In the same vein, regional cooperation is highlighted in each and every strategic or planning document related to the region (e.g. European Commission - DG RELEX 2001; Commission 2006b: 7-8, 11, 16, 26, 30, 34, 38, 43, 47, 51; European Commission 2011b: 7-8, passim) and also plays a prominent role in the conclusions that the Council traditionally releases every December on the progress made towards accession or within the SAP (e.g. Council 2009a: 30, 41, 42; Council 2012f: 7, 12, 30, 35, 43, 44; 2006: 8). Based on the progress reports from the Commission, the Council conclusions emphasise the political weight placed on regional cooperation. In the particular case of Serbia, this emphasis went as far as to conditioning the opening of accession negotiations on a constructive engagement in regional cooperation (Council 2011b: 53, 54). Interviews with senior EU officials and policy-makers in the Commission and the Council further confirm the weight put on regional cooperation [#31, member of the cabinet of Enlargement Commissioner Štefan Füle, #32, senior official DG ELARG; #51, EEAS official; #14, former senior Council official]. In sum, there is no doubt that the emphasis of mentions on regional cooperation in strategic documents, speeches and in interviews with EU policy-makers can all be assessed with a 'substantial' score.

The SAP is a process based on contractual agreements between the individual countries and the EU. All the Stabilisation and Association Agreements (SAA) are modelled on the same pattern and include a large number of references and specific commitments to regional cooperation, especially on trade and economics.[227] In the area of technical assistance, the SAA enshrines EU assistance for regional cooperation in general terms and in numerous specific policy fields like transport or combatting crime (European Communities and Republic of Serbia 2013 [2008]: Art. 82, 86, 88, 94, 108, 109; Protocol 4, Art. 4). While the largest part of the agreements regulates bilateral relations, the texts seek to connect these to regional and bilateral objectives (European Communities and Republic of Serbia 2013 [2008]: Art. 1(2), 6, 8, 10(2)). Laying the ground for conditionality, these objectives and steps to achieve them are specified in the regularly updated criteria

[227] Because of their similarities, the following analysis only quotes references from the EU-Serbia SAA. Between 2001 and 2015 the EU has signed seven SAA with the Western Balkans states, six of them in the timeframe of analysis of this study (1999-2012). Only the SAA with Kosovo includes significant differences to previous SAAs. These stem from the fact that not all EU states have recognised Kosovo (cf. Elsuwege 2017: 400–8).

catalogues set up by the Council for each of the countries concerned – the European Partnerships (e.g., for Bosnia Council 2008a). Taking these two instruments together, the emphasis placed on regional cooperation in treaties can therefore also be assessed as "substantial".

An examination of project documentation and of the regular assessments made by the Enlargement directorate of the European Commission shows that the EU places a strong emphasis on the regional repercussions of its technical assistance projects and on making sure that a sufficient number of them address regional concerns directly (e.g. Commission 2013e: 10–1; Deloitte Consulting 2008; Commission 2002; Commission 2011b: 7-8, passim). This observation was further confirmed in interviews with EU actors involved in the formulation, management and the political assessment of cooperation projects [#31, *ibid.* #32, *ibid.* and #33, DG ELARG official, all Commission; #51, *ibid.*; #14, former senior official, Council], with officials of the Western Balkans states [#59, official, Croatian MFA; #64, official, Serbian EU Integration Office, #73, senior official at the Ministry of Foreign Trade of BiH] and regional organisations [#75, senior official, Regional Cooperation Council; #38, former official Working Table II of the Stability Pact]. In sum, these observations lead us to assess the emphasis of mentions on regional cooperation in project documentation and assessments and in interviews with EU policy-makers and officials from the Western Balkans states all with a 'substantial' score.

In sum, our empirical analysis of the indicators for development cooperation and technical assistance shows a very strong use of EU instruments to encourage regional cooperation (16 points out of 16). The components of the assessment are shown in table 7.1 below. The assessment shows that the EU spent considerable technical assistance in encouraging regional cooperation in the Western Balkans, even with an increasing budget share as the focus moved from reconstruction to development and accession. The ensuing sub-section moves to analyse the EU's activities in the fields of trade and economic relations.

Use of EU of development cooperation and technical assistance: EU-Western Balkans

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches**.	*2*
	emphasis of mentions in **strategic documents**.	*2*
	emphasis of mentions in **interviews** with EU policy-	*2*

	makers.	
Implementation	*emphasis* of mentions in **treaties**.	*2*
	absolute and *relative budgetary relevance* of development **cooperation projects** aimed at fostering regional cooperation.	*2*
	emphasis of mentions in **project documentation and assessments.**	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*2*
	emphasis of mentions in **interviews** with policy-makers from EU partners (officials present in negotiations and implementation).	*2*
Use of development cooperation and TA to promote regional cooperation scores as none (0) – low (1-5) – middle (6-11) – strong (12-16)		**16 Strong**
categorisation of *emphasis, relevance, number* and *amount* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 7.1: Use of EU development cooperation and technical assistance to encourage regional cooperation in the Western Balkans

Trade and economic relations: drawing together the spokes

As a result of the dismemberment of Yugoslavia, regional trade in the Western Balkans contracted sharply (Handjiski *et al.* 2010: 7). In 2001, trade between the neighbours that hat once belonged to same economy accounted for just 7% of their whole trade volume (Commission 2002: 5).[228] In contrast, trade with the EU made up the bulk of total trade, leading to what has been termed as a 'hub-and-spoke' pattern between the EU and the individual countries (Gropas 2006: 35–7). Despite the fact that its own trade preferences to the states in the region may have accentuated this dependence, the EU was quick to identify the lack of intra-regional trade and economic connections as one of the obstacles the Western Balkans would have to surmount to prosper – and to grow together as a region. Quite clearly, this field is also one in which the EU was able to build on its own experience to provide advice and tested policy receipts. Early on, it took up the stewardship of the region in terms of trade in the informal division of labour that developed between different actors of the international community.[229] Consequently, boosting regional trade became a priority in the EU's strategy towards the Western Balkans and was regularly

[228] This comparison comes with a slight, but neglectable, inaccuracy since Albania is included in the 7% of regional trade in 2001, but was not part of Yugoslavia.

[229] Roughly speaking, this 'division of labour' saw the World Bank and other IFIs coordinating reconstruction of infrastructure, NATO and the US in lead of security matters and the UN and the OECD in charge of civilian monitoring and administrative reforms.

highlighted in its respective strategic documents (Rat der Europäischen Union 1997: 12–4; Commission 1999: 3–7; 2006a: 5–7; 2008: 15). Speeches from EU Commissioners and decision-makers as well as in interviews conducted with officials in charge of drawing up EU policies for the region [e.g. Commission 2005c; Lamy 2003a; Ashton 2010b; #14, former Council senior official, #32, senior official DG ELARG] reflect the relevance placed on trade integration and how it is understood as a means to unite the region and to "bring people together on something with a clear pay-out first" [#33, official DG ELARG]. In light of these observations, we score the EU's strategic emphasis on encouraging trade integration as 'substantial'.[230]

Both the Regional Approach and the SAP included and include an important focus on trade. While the Regional Approach did 'only' grant unilateral trade preferences to the Western Balkans states to enter the EU market (e.g. for Albania: Council 1999), the SAP also spurs the countries to foster trade integration within the region itself. It made trade agreements with the EU conditional on the countries' "readiness to engage in regional cooperation with other countries concerned by the EU's SAP, in particular through the establishment of regional trade areas" (Council 2000b: Art. 2(2)). The individual SAAs put teeth into this condition by committing the states to conclude agreements with each other before specific dates and making "such conventions [...] a condition for the further development of the relations between Serbia and the European Union." (in the example of Serbia, European Communities and Republic of Serbia 2013 [2008]: Art. 15). Accordingly, we assess the emphasis made in treaties as 'substantial'.

With these incentives in place, the Stability Pact became the main instrument of the EU and the international community to coach the region towards regional trade integration. Through its Working Table II on Economic Reconstruction, Co-operation and Development and, more specifically, its Trade Working Group, the Stability Pact sat senior officials from the Western Balkans around one table and brought them together with experts, potential funders and representatives of the international community (Stability Pact for South-Eastern Europe 2006). The UK and the US financed the bulk of the operating costs for the Working Table and the Commission most of the technical work undertaken by the countries to prepare and conduct their trade negotiations [O'Mahony 2010: 138, 146; #38, former official, Working Table II of the Stability Pact]. While these efforts are relatively

[230] All scores are summarised in table 7.2 below.

small compared to the vast EU spending on technical assistance and also other funders (e.g. Switzerland) provided funds, the EU's trade-related technical assistance made and still makes up the most important share of international contributions in this field [WTO 2018; #32, *ibid.*].[231] We therefore assess both its share and its emphasis on regional cooperation as 'substantial'. According to experts involved in the Trade Working Group, coordination between the negotiators of the regional trade process and those of the SAAs worked well and was essential to convey to the Western Balkan governments that their regional track was taken into account for their rapprochement to the EU [O'Mahony 2010: 145; #72, former senior official, Working Table II of the SP]. Representatives of the Western Balkans in the negotiations confirm that this connection was a credible one [#73, representative for BiH at the Trade WG; #65, representative of Serbia-Montenegro / Serbia at the Trade WGI]. In light of this evidence from both sides of the negotiating table, we assess the emphasis on regional trade relations as mentioned by policy-makers in interviews as 'substantial'.

While trade concentrated the main efforts of its engagement, the EU influenced and stewarded a large number of regional economic cooperation initiatives. Most of them were channelled through the Stability Pact, like the Energy Community (aiming to increase connectivity in energy markets) or different activities to improve transport infrastructure or energy markets, to name just a few. In the same vein, the SAAs contain general commitments of the Western Balkans states to approximate their legislation in a number of economic sectors to the respective EU rules and to cooperate with each other in doing so. While these commitments are of uncertain operational meaning[232], they also serve to justify the important EU's technical and financial assistance in many policy fields.

In sum, the overall assessment shows that the EU used its trade and economic instruments to promote its policy of regional cooperation in the Western Balkans to a very strong degree (16 points out of 16 in our score, see table 7.2 below). This result is in line with the previously analysed field of technical assistance and reflects the EU's very strong

[231] TRTA data is difficult to obtain because such activities are not always reported as an own category of development assistance. The quoted 'Global Trade-Related Technical Assistance Database' from the WTO offers an approximation as it shows that the EU sponsored the vast majority of activities in this field in the Western Balkans. It does not quote the amounts spent for such activities.

[232] For a succinct assessment of the bindingness of different types of EU agreements with third countries see Emerson *et al.*(2017: 22–7).

effort to coach, but also to push, the Western Balkan governments into regional trade and economic cooperation. The ensuing paragraphs analyse how the EU used political instruments to encourage regional cooperation.

Use of EU instruments: trade and economic relations: EU-Western Balkans

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches.**	*2*
	emphasis of mentions in **strategic documents**.	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*2*
Implementation	*emphasis* of mentions in **treaties.**	*2*
	emphasis of mentions in **project documentation and assessments.**	*2*
	amount and *share* of trade-related technical **assistance** oriented towards regional cooperation and integration.	*2*
	emphasis of mentions in **interviews** with EU policy-makers.	*2*
	emphasis of mentions in **interviews** with policy-makers from EU partners.	*2*
Use of trade and economic relations to promote regional cooperation scores as none (0) – low (1-5) – medium (6-11) – strong (12-16)		**16 Strong**
categorisation of *emphasis* and *amount* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 7.2: Use of EU trade and economic relations to encourage regional cooperation in the Western Balkans

Political relations: weaving the countries together

Once the EU had struck a certain balance between the SAP and its regional cooperation initiatives by placing the latter under the umbrella of the stabilisation and accession logic, the EU's strategy has consistently emphasised the importance of regional cooperation for its approach to the Western Balkans. As already shown above, regional cooperation found its way into all relevant strategy documents for the region and its individual states (see p. 303f. above, Commission 1999: 1,3-8), building upon the emphasis already present in the Regional Approach. At times, the EU even recurred to its own experience as "a model for overcoming conflict and promoting reconciliation through close co-operation" (Commission 1999: 6; similarly Commission - RELEX 2001: 5) to substantiate the virtues of regional cooperation.

In line with this agenda, the EU's political engagement for regional cooperation sought first to support 'technical' cooperation on individual issues that would pay off for the states before moving into cooperation schemes with a broader and more political mandate. This does not mean that issues at stake were uncontroversial, resettlement of

refugees being one of the first matters approached (Council 1996: 7). But attention was paid that all the issues pushed for could be placed in a discourse of practical 'things that need to be done' [#14, former senior Council official]. Creating issue-based institutions to foster and maintain these cooperations played an important role from the beginning, slowly giving way to the creation of regional institutions with a broader mandate, such as the Stability Pact. From Kosovo's declaration of independence in 2008 on, the EU's political engagement was characterised by the efforts to integrate the new state into the regional cooperation structures against Serbia's resistance [#14, *ibid.;* #31, member of the Cabinet of Commissioner Füle]. The direct provision and guaranty of security through international and EU missions such as SFOR, Althea or Eupol Proxima[233] was complemented by the encouragement of regional police and even military confidence-building, for example through regular meetings on arms control or the fight against organised crime (for examples, see Sterie and Brunhart 2010; Dimov 2010; Mergel 2010).

Speeches and utterances of high-level EU actors stress the relevance of regional cooperation as a necessary approach to shared problems and opportunities in the Western Balkans and as a tool to overcome bilateral disputes, but also as a means of preparing for EU membership (e.g. Füle 2012: 1; Council 2012a: 10; Ashton 2010a; van Rompuy 2011; Patten 2002). Prominent mentions of the kind of "We expect Belgrade to implement the agreements it has entered into in the dialogue with Pristina, in particular on regional cooperation and crossing points. [...] This will be a good opportunity to demonstrate Serbia's active contribution to regional cooperation. [...] Maintaining the spirit of reconciliation is essential for stability in the region and I expect Serbia to play a positive and constructive role in words and deeds." (van Rompuy 2012: 2) are just one of many examples. Officials in charge of or closely involved in the EU's strategy towards the Western Balkans confirm the strategic emphasis on regional cooperation that becomes apparent in policy documents and speeches. They leave no doubt as to the vigour with which regional cooperation was streamlined into virtually every policy field related to the Western Balkans [#14, *ibid.*; #31, *ibid.*; #51, EEAS official; #70, senior official, EU delegation to Serbia]. As a result of this consistent strategic emphasis, political relations and the overall objective to

[233] Respectively: the NATO-led Stabilisation Force Bosnia and Herzegovina, its succeeding EU Military Operation EUFOR Althea and the EU Police Mission in Macedonia.

encourage regional cooperation only collided with each other seldomly.[234] In light of these observations in documents, interviews and speeches we assess the emphasis on regional cooperation expressed in the EU's political strategy towards the region as 'substantial'.

In the practice of political negotiations, participants from both sides report the strong emphasis that EU representatives placed on regional cooperation both as a general political principle as on specific issues at stake at different stages of the negotiations. EU negotiators are reported to have used the Stabilisation and Association Councils (e.g. Council 2013e: 2; 2009b: 3)[235] and bilateral meetings along the course of the SAP to stress the importance of regional cooperation as a yardstick to advance in bilateral relations [#14, senior Council official; #61, former assistant minister, Croatia; #51, EEAS official]. Regional cooperation came onto the agenda at several levels: by bringing in policies from the Stability Pact or other regional initiatives, through the progressive involvement of the states in community policies and related institutions and, most prominently from 2008 on, regarding the involvement of Kosovo in regional institutions. Asked how they would rank regional cooperation when compared to other issues on the agenda, most interviewees replied that the issue had a status comparable to prominent political issues such as resettlement or the rights of minorities [#14, *ibid.*; #31, *ibid.*; #33, official, DG ELARG; #51, *ibid.*]. They conceded though that it was a "soft" criterion, difficult to assess in isolation from other issues [#31, *ibid.; #32,* senior official, DG ELARG.*;* #51, *ibid.*]. Despite this, regional cooperation was the subject of specific conditionality or high-level political interventions several times throughout the time period analysed in this study. Croatia's refusal to allow the inclusion Serbia in the regional trade regime in 2006 is one case in point (see the case study in 7.3.1 below for more detail), Bosnia's impediments to foreign and internal trade another (Commission 2003). The connection between regional objectives and bilateral instruments becomes clear also in the regular assessments that the EU undertakes of each Western Balkan state. All the individual steps in the rather complex assessment system pay attention to regional cooperation: the aforementioned ministerial Councils between the EU and the individual partners, the yearly progress reports and the December

[234] One such case may have been the EU's emphasis in 2002 to keep Serbia and Montenegro united to prevent any bandwagon effects in the region. The state union, which lasted between 2003 and 2006, had difficulties to unify its own market rules, to mention just one example. Observers at the time argued that this slowed down the speed for regional agreements as well (Bechev 2004: 10–1).

[235] Stabilisation and Association Councils are the regular ministerial meetings between the EU, its member states, and the respective Western Balkan state foreseen in the SAAs.

Council conclusions in which all these steps culminate (e.g. Council 2012c: 7, 12, 30, 34, 35, 43, 44; Commission 2010e: 19–22). While being a political criterion, and therefore more difficult to assess than other areas, evidence on the political prioritisation of accession and SAP criteria reveals that regional cooperation plays a decisive role in the assessment of the countries by the EU and member states in the Council [#31, *ibid.*, #32, *ibid.*; #33, *ibid.*; #49, Serbian diplomat, #51, *ibid.*] In light of these observations from interviews with negotiators and involved persons from both sides, we score the EU's emphasis in this field as 'substantial'.

This strong stance does also become obvious when examining the vast number of EU statements pertaining to the countries of the region and to the region itself. It is difficult not to find regional cooperation mentioned as a frame for the EU's policy towards the Western Balkans and as an expectation placed on the individual countries. The politically most relevant statements of this type are the already mentioned Council conclusions. These statements systematically assess the respective country's engagement in cooperating with its neighbours bilaterally and regionally. Statements such as "the Council encourages Croatia to continue addressing all outstanding bilateral and regional issues" (Council 2012c: 12) are typical in this context. In especially problematic cases, they are explicitly connected to conditions (as regarding Serbia's stance towards Kosovo's participation in regional cooperation, see Council 2010: 8). We therefore rank the EU's emphasis on regional cooperation as expressed in statements and declarations as 'substantial'.

Creating a public perception about regional cooperation also among the populations of the countries was central to the EU's approach. For that purpose, the EU and other international actors placed a special emphasis on creating occasions in which the leaders of the countries would publicly commit themselves to regional cooperation. Regional summits with the presidents or prime ministers are still the preferred way to create such visibility, starting with the historical 2003 Thessaloniki Summit to the series of Western Balkan summits and EU-Western Balkan Summits that have taken place over the last 15 years (EU-Western Balkans Summit 2003b; N.N. 2013). Except the South-East European Cooperation Process (SEECP) launched by Bulgaria in 1996, virtually all regional

dialogues have been initiated by actors outside the region.[236] Below this degree of visibility, also parliamentarians are engaged in political dialogues initiated by the EU and/or with the European Parliament and numerous fora have been organised at technical and administrative levels for individual policy fields (for an overview on parliamentary cooperation see Bläss and Boati 2010). The latter are often seen as a cornerstone in building confidence between elites in the countries and nurturing an issue-based demand for regional cooperation and mutual learning [#14, *ibid.;* #33, *ibid,* #41, *ibid.*]. Emphasis on such regional encounters has remained strong all over the process of EU engagement with the region, sometimes in open contrast to local preferences for a bilateral approach. During Serbia's boycott to Kosovo's participation in regional meetings, these claimed a special political attention from the EU. In sum, we also assess the relevance of political dialogues with a regional focus as 'substantial'.

As mentioned at the beginning of this section, the EU's main policy towards the region, the SAP, is based on the negotiation and conclusion of bilateral agreements, the SAAs. These agreements set an important focus on encouraging regional cooperation, as described in the assessment of the EU's trade policy towards the region. In a similar way, the SAAs require the countries to engage in regional political cooperation (e.g. European Communities and Bosnia and Herzegovina 2008 [2015]: Art. 14-16). But unlike for trade, the agreements do not reinforces this requirement with a specific timeframe upon which political cooperation is supposed to take up steam. This falls in line with the above-described issue-based approach to regional cooperation. "[P]roven readiness to enter into [...] cooperative relations with its neighbours" (Council 1997: 16–21) was set as a condition to open negotiations on SAAs with the countries, signalling the priority given to regional cooperation – but also the difficulty to tie this "loose" or "not quantifiable" criterion to any specific indicators [respectively, #32, *ibid.*, and #33, *ibid.*]. In light of the fact that the emphasis placed on regional cooperation was often stronger on specific issues than on political relations in general terms, we assess this indicator as "moderate".

Use of EU political instruments: EU-Western Balkans

Policy-making levels	Indicators (units of assessment in *italics*)	Score
Planning and strategy	*emphasis* of mentions in **speeches**.	*2*
	emphasis of mentions in **strategic documents**.	*2*

[236] Bechev(2011: 44–50) gives an overview of the different initiatives.

	emphasis of mentions in **interviews** with EU policy-makers.	*2*
Implementation	*emphasis* of mentions in **treaties**.	*1*
	relevance of **political dialogues with a regional focus.**	*2*
	emphasis of **statements and declarations mentioning regional cooperation**.	*2*
	emphasis of mentions in **interviews** with EU policy-makers present in / tasked with negotiations.	*2*
	emphasis of mentions in **interviews** with policy-makers from EU partners present in / tasked with negotiations.	*2*
Use of political relations to promote regional cooperation scores as none (0) – low (1-5) – medium (6-11) – strong (12-16)		**15 Strong**
categorisation of *relevance* and *emphasis* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.		

Table 7.3: Use of EU political relations to encourage regional cooperation in the Western Balkans

The analysis above has served to assess our independent variable 'EU use of instruments to encourage regional cooperation' for the EU's relationship with the Western Balkans. We have identified a consistently strong engagement of the EU in the three foreign-policy fields analysed. Summing up the analysis above, we see that the EU engaged very directly in the promotion of regional cooperation in the Western Balkans. Dedicating more than 10 % of its technical assistance to this purpose, the EU sought to show that cooperation serves to solve practical problems and to create welfare. In the same line, it has tutored the region into regional trade and economic integration, using the Western Balkan's dependence on the European market and bilateral incentives to leverage its agenda. This issue-based approach has created a web of political relations, initiatives, institutions and summits that seek to create visibility for the regional cooperation agenda and to connect administrations and experts in dense networks. Whenever necessary, the EU has used its political clout and the conditionality of the SAP and the accession process to spur and pressure hesitant governments into cooperation. These interactions reflect the fields where the EU has employed its instruments to promote regional cooperation and provide the set of potential cases among which individual case studies will be selected to analyse whether the EU has been able to influence the emergence and development of regional cooperation in the region (SRQ2).

7.2.2 *Case-study selection*

The overview in the previous section has shown that the EU's engagement to encourage regional cooperation in the Western Balkans is among the broadest and strongest towards any region – if not the strongest of all. Despite the fact that the EU has used virtually every instrument at its hand, we can still see a focus on the construction of regional markets and the creation of new institutions that would bind together the region and help it to tackle regional challenges. We will therefore select our case-studies from these two fields – as outlined in the methods chapter (cf. 5.2.3, p. 118f.)

For the first field, market integration, we choose one case that meets our selection criteria[237]: the creation of the regional free trade area CEFTA2006 (Central European FTA 2006, Case 1). The creation of CEFTA2006 is a case in point in the EU's efforts to spur the region into trade integration. The agreement sought to restore the once close trade ties in the Western Balkans. Seen as a restoration of the former Yugoslavia, this EU initiative was heavily debated – and even resisted to – by the countries in the region.

In the second field of EU engagement, the institutionalisation of regional cooperation, we choose two cases that also exemplify how the EU's policy evolved along the timeframe analysed: from externally imposing regional cooperation to stimulating the countries to embrace cooperation out of their own impulse. Our analysis will try to shed light on whether regional cooperation has been embraced as a priority also by the governments of the region. As a first case, we analyse the creation of the Stability Pact for South-East Europe (SP, Case 2) from 1999 onwards. As a second case, we focus on how the SP was transformed into the Regional Cooperation Council (RCC, Case 3) from 2005 on, seeking to transform it into a 'regionally owned' instrument for regional cooperation in the Western Balkans.

Synthesis

The previous paragraphs have shown how the EU has used all instruments at its disposal to encourage regional cooperation in the Western Balkans, allowing us to answer our SRQ1

[237] As outlined in section 5.2.3: (1) institutional change has taken place during the period of analysis, (2) towards which the EU has applied its instruments to promote regional cooperation, (3) they are narrow enough to identify external influences, and (4) they are potentially relevant to the overall development of cooperation and integration in the studied region

'What instruments does the EU employ to promote regional cooperation?' for this particular relationship.

Accompanied by a strong political pressure on the countries of the region and the ultimate incentive of EU membership, the EU dedicated a large amount of the vast technical assistance it provided to the Western Balkans to encourage, support and finance regional cooperation initiatives. So called 'multi-country programmes', which now make up almost a quarter of the EU's technical assistance to the region, require the countries to develop projects together to even receive the funds. A considerable part of this funding is also devoted to financing regional cooperation schemes, such as the RCC. Using its power of attraction as the region's by far most important market, the EU pushed the Western Balkans states into concluding trade agreements with each other and reducing barriers to trade and economic exchanges in the region. Certainly, the concise use of political instruments and conditionality to incentivise regional cooperation stands out in the EU-Western Balkans relationship. Through the SAP, the EU conditioned bilateral incentives to improvements in regional cooperation, setting deadlines and regularly reviewing and politically assessing specific progress. Across all the three policy fields analysed - technical assistance, trade and economic relations and political relations – the EU's engagement scores as 'strong'.

Taking into account the EU's focus on market integration and the creation of regional institutions, we have selected three cases to empirically trace whether and to what extent the use of these EU instruments to promote regional cooperation has been successful. Beginning with the field of market integration, the two following sections will analyse whether EU instruments have had an impact on institutional change in the Western Balkans.

7.3 Market integration

In a region impoverished by war, bringing together the split national markets seemed not just a necessity but also one of the best options to build a case for regional cooperation. Technical in nature and far from political headlines, cooperation in economic terms

promises to attract investment to the states involved, to create markets for regional exporters and lower prices for consumers.

This section will study a case of institutional change in the Western Balkans that aimed to contribute to building a regional market: the EU-sponsored creation of regional free trade area. The analysis follows the same structure as in the cases studies for Mercosur. After assessing the respective institutional change (i.e. our dependent variable), we briefly reflect the context in which the change took place and assess the scope condition 'domestic incentives'. In light of the context and the EU instruments identified for the specific case, we process-trace the impact of those diffusion mechanisms that could have influenced the decisions and actions of Western Balkan actors. The intensity of each of the hypothesised causal mechanisms is assessed and scored to rank their relevance against each other.

7.3.1 Regional Free Trade in the Western Balkans – the bumpy road to CEFTA2006

A somehow odd ceremony took place in Bucharest in December 2006. Just a few days before acceding to the EU, the Romanian and Bulgarian prime ministers joined their colleagues from the Western Balkans in signing the CEFTA2006 agreement: the Central European Free Trade Agreement 2006. Commissioners Peter Mandelson, Olli Rehn and the Co-ordinator of the Stability Pact, Erhard Busek, all held momentous speeches to mark the occasion (Rehn 2006; Busek 2006). With their signatures, Romania and Bulgaria had just become part of a regional trade agreement that they would leave only ten days later to join the world's largest common market.

Institutional change – taking a detour to regional integration

This singular moment was the culmination of the Western Balkan's bumpy road to regional trade integration. It took seven years and several detours to create the regional trade agreement that the EU had set out as an objective already in 1999 (Commission 1999a: 37) and to which the states in the region had committed in 2000 (Zagreb Summit 2000: 3). In a rather tortuous process, the Western Balkans states and some of their neighbours which were not (yet) EU members (Romania, Bulgaria, and Moldova) first negotiated 32 bilateral trade agreements between them only to substitute them with a single regional pact just before the last of the 32 agreements had been signed.

In terms of our scheme of institutional change, the creation of CEFTA2006 clearly added a new function to the Western Balkans system of regional cooperation: liberalising trade in the region and creating a joint legal framework. In terms of actors, the CEFTA2006 agreement brought together the states of the Western Balkans and the afore-mentioned neighbours in a regular joint committee and in a number of technical bodies to manage different aspects of the agreement (Albania *et al.* 2006b: Art. 40). Furthermore, a small secretariat was created in Brussels to provide data, technical advice and assist with the acquisition of donor funds. The European Commission agreed to finance the bulk of its operating costs for the first years (CEFTA Joint Committee 2007). Unlike other regional cooperation initiatives in the Balkans, CEFTA2006 foresees no active role for the Commission or any other EU institution.

The alignment of the agreement to the EU becomes clear though in the decision-making aspects of CEFTA. For example, the agreement's rules on state aid are inspired by the EU's rules and even point to the Treaty Establishing the European Community (TEC) for further reference (Albania *et al.* 2006b: Art. 21). Beyond this particular aspect, the CEFTA agreement creates regional rules for investment, competition policy and trade in goods and services (Albania *et al.* 2006b). Decisions of the joint committee are taken by consensus, reflecting not only common practice in regional trade agreements but also the still limited trust between the parties [#38, former official, Trade WG of the Stability Pact; #73 and #50, officials involved in the CEFTA2006 negotiations, BiH Ministry for Foreign Trade and Serbian Trade Ministry, respectively]. With a view to Serbia's policy on Kosovo, an exemption clause allows the parties not to apply a decision they have reservations on without blocking decision-making for the whole group (Albania *et al.* 2006b: Art. 41).

An intergovernmental trade treaty, CEFTA does not take up any competences. An ad-hoc arbitration tribunal is to be set up whenever a dispute arises between parties to the agreement with the aim to find a solution but no competences to enforce its decisions (Albania *et al.* 2006b: Art. 43 and Annex 9). We do therefore rate this particular dimension of institutional change as 'none'.

In sum, we can conclude that the creation of the CEFTA2006 agreement was a 'substantial' institutional change in terms of our assessment scheme (score 3 out of 4). It

involved the addition of a very important core function to the regional setup and foresaw new decision-making rules for the involved actors, often with a close alignment to the relevant EU rules. Table 7.4 below sums up this assessment.

Dimensions of institutional change	Change indicators	Score
Core function	Liberalising barriers to trade and creating a joint legal framework for trade in goods and services, investment and competition.	1
Actors	Creation of a joint committee of the parties and different technical bodies Creation of a secretariat, initially financed by the EU (no EU membership in CEFTA bodies)	1
Decision-making	Creation of rules on trade, investment, competition policy, often aligned on respective EU rules and referring to EU procedures Decision-making by consensus	1
Competences	No own competences placed upon the bodies of the agreement (joint committee, secretariat)	0
Institutional change – CEFTA		**3 Substantial**
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.		

Table 7.4: Institutional change in the creation of CEFTA2006

Context and domestic incentives

Even if economic logic painted a clear case in favour of establishing a regional trade area, the incentives of the Western Balkans countries to pursue such an approach were far from obvious. The initial commitment to finding a regional deal soon diluted for all sorts of obstacles. The obstacles typical to any trade deal, like the protective interests of individual industries, were exacerbated by ones inherent to the region. For example, Serbia and Montenegro (until mid-2006) and Bosnia and Herzegovina had difficulties in agreeing on a trade deal due to internal governance struggles [#38, former official, Trade WG of the Stability Pact; #76, former national coordinator for the SP, Serbia-Montenegro; #73, official, BiH Ministry of Foreign Trade]. All the states in the region found it difficult to agree to a trade zone that would – at least economically – rebuild part of the former Yugoslav links they had sought to get rid of [#38, *ibid.*; #76, *ibid.*; #61, former Croatian assistant minister for European Integration]. In addition, they were afraid that the Western Balkan trade area would become a placebo or waiting room for their integration into the EU market. The term of a "trade ghetto" did the rounds [#35, former expert working for the Trade WG; #36,

former senior official at the Bulgarian MFA; #61, *ibid.*; Bechev 2011: 88]. In sum, the incentives of the states in the region to enter into a regional trade deal were far from clear. While economic logic and the external pressure exerted by the wish to approach the EU spoke in favour of such an agreement, internal pressures in each of the states and the burden of the all too recent history appeared almost unsurmountable.

Quite clearly, the end of the Yugoslav wars in the mid-nineties and of the Kosovo war in 1999 were a 'critical juncture' in terms of our analytical model. It put the region in the position to approach and be approached by the EU, creating an opportunity for external stimuli to influence decisions in the region more than ever before. Only in this context did the idea of a regional trade zone gain track. The government change in the Federal Republic of Yugoslavia (FR Yugoslavia) in October 2000 was certainly a second 'critical juncture'. The toppling of Milošević opened the door for the country to join regional cooperation initiatives and closed the large hole in a future regional trade zone. The following paragraphs will analyse the process by which trade integration gained root in the region and how the initial European templates were transformed in the course of the negotiations.

Disagreeing to agree - Conditionality and assistance[238]

The negotiations to create a regional trade regime for the Western Balkans can be divided into two phases. A first one took place between 2000 and 2004 and led to a set of bilateral trade agreements. The second (2005-2006) saw how these bilateral agreements were fused into one regional trade agreement: CEFTA2006. The talks took place in the Trade Working Group of the Stability Pact. Established in January 2000, this group consisted of senior trade policy officials from the Western Balkan states, some neighbouring states (Bulgaria, Romania, Hungary and Turkey), different representatives from the international community (the Commission, the World Bank and the WTO, among other) and some interested donors like Switzerland, the US, the UK, or Germany. Moldova and UNMIK/Kosovo joined the working group over the course of the years (O'Mahony 2010: 137–8; Stability Pact for South-Eastern Europe 2006).

[238] Preliminary versions of the following case-study were presented and discussed at the 2013 ISA Annual Convention and the 2013 EUSA Biennial Conference.

The ensuing paragraphs process-trace the two phases of the negotiations, showing how the countries in the region managed to oppose to and dilute the EU's initial goal of establishing a regional agreement and how the region did nonetheless end up agreeing to a regional FTA.

History trumps conditionality – the limits of EU influence

While agreement on the functional need to increase intra-regional trade was widespread (O'Mahony 2010: 137), disagreement prevailed both on the regional scope of trade liberalisation as on the means to achieve it [Bechev 2011: 89; #36, senior official at the RCC formerly at the Bulgarian MFA; #38 and #72, former officials, Trade WG of the Stability Pact]. The European Commission, following the EU's own example, advocated for a single regional free trade agreement to encompass the whole Western Balkans [O'Mahony 2010: 139; #36, *ibid.;*, #38, *ibid.;* #63, Croatian trade official] and at first even made this a condition to open negotiations in the SAP (Commission 1999a: 37). Furthermore, the trade concessions granted by the EU to several countries in the Western Balkans in September 2000 were also conditioned on the establishment of "free trade areas" between them (Council 2000b)[239]. Several SAAs would later reinforce this requirement with specific deadlines up to which the free trade zones should be in place (e.g. European Communities and Republic of Serbia 2013 [2008]: Art. 15). In line with the EU's requirements, the countries in the region expressed their commitment to create "a regional free trade area" at the EU-Western Balkans summit in late 2000 (Zagreb Summit 2000: 3). Accordingly, the Stability Pact's Trade WG commissioned a UK-sponsored report with the clear goal of creating a single free trade area for the Western Balkans (Maur and Messerlin 2001).

Interviews with officials from the Western Balkans that participated in the Trade WG reveal that they clearly perceived that the EU conditioned its further political and economic engagement on their willingness to pursue regional trade integration [#65 and #63, Serbian and Croatian representatives in the Trade WG]. One representative from Croatia, at times possibly the most reluctant country to engage in regional cooperation, went as far as perceiving pressure "on all political and expert levels" [#62, Croatian trade official]. EU and Stability Pact officials confirm this: together with representatives from the WTO they coordinated to convey a unified message to the region that regional trade

[239] The use of the plural form "free trade areas" may be seen as a pure coincidence or an intended ambiguity to accommodate the growing resistance of the countries in the region to a single FTA.

integration was a *must* to advance towards the EU [#72, *ibid.*; #14, senior Council official]. This leads us to assess the EU counterparts' emphasis on mentions of the connection of EU actions with regional trade integration as 'substantial'. At the same time, a number of other issues, such as refugee resettlement or cooperation with the ICTY, clearly enjoyed a higher priority [#61, former Croatian assistant minister for European Integration; #76, former assistant foreign minister of Serbia and Montenegro]. Most probably because of this, we did not find any prominent mentions of EU conditionality in speeches, statements and documents related to the trade negotiations or in interviews with officials or representatives of the Western Balkans states. We therefore assess this indicator as 'none'.

Despite the EU's conditionality, in the months following the Zagreb summit the countries in the region rejected the regional approach championed by Brussels. They did so in light of the aforementioned fears of a regional trade 'ghetto' [Bechev 2011: 89; #35, former expert working for the Trade WG; #36, *ibid.;* #61, *ibid.*] and – once the FR Yugoslavia had joined the discussions – worried also of a revival of the former Yugoslavia in economic terms [#38, *ibid.*; #65, *ibid.*; #50, Serbian official involved in the CEFTA2006 negotiations; #61, *ibid.;* #76, former Serbian SP coordinator]. In a nutshell, the countries in the region were keen to protect their recently gained sovereignty.[240]

Difficult negotiations took place between November 2000 and June 2001, most of them in the Trade WG of the Stability Pact [#38, *ibid.*; O'Mahony 2010: 139]. In January 2001, the Trade WG agreed to negotiate a Memorandum of Understanding that would set out the principles of trade integration in the region [#38, *ibid.*; Wijkman 2004]. According to several participants in the negotiations, the Commission was very reluctant to depart from its proposal that the region should enter into a single regional trade agreement [#63, *ibid.*; #65, *ibid.*]. At the same time, Romania and Bulgaria were rather unwilling to become part of an agreement that they perceived might throw them back on their path to EU accession [#72, *ibid.*, #36, *ibid.*].[241] According to a Stability Pact official and to a Croatian official, the Commission assured the Western Balkan countries that their agreement to the SP-brokered

[240] In the case of Croatia, president Franjo Tuđman had even introduced a provision in the constitution in 1997 that required an approval by referendum or even forbid to enter into an association with countries in the region [#61, *ibid.*; Verfassung N.N.(2017)].
[241] Unlike the interviewees referenced, a Croatian official also involved in the negotiations [#63, *ibid.*] didn't recall any Bulgarian or Romanian resistance to a regional agreement.

deal would be taken into account for the progress of the SAA negotiations. Bulgaria and Romania were assured that cooperating with the conflict-ridden region would not throw them back in their accession [#72, *ibid.;* #36, *ibid.*; #61*, ibid.*; in the same line O'Mahony 2010: 145]. In doing so, the Commission conditioned the bilateral progress of the countries to their agreement on the regional arena. In fact, the 2003 SAP report would later praise the agreement as a significant progress in a short time (Commission 2003: 11). A Croatian official interviewed mentioned that these assurances from the EU and the connection to the on-going SAA negotiations pushed them to agree: "the EU insisted and we conceded" [#63, *ibid.*]. Another recalls the SAA and the regional negotiations as a "two-track approach" [#61, *ibid.*]. We therefore assess this as a substantial emphasis in justifying a specific institutional change with expected improvements in a different field – a further indicator for the impact of conditionality.

Over the course of these negotiations, the countries of the region managed to introduce two changes to the approach envisaged by the European Commission (and preferred by the Stability Pact). First, trade liberalisation would not be pursued through one single trade area but with a set of bilateral agreements, thereby increasing the influence of each individual state in the negotiation process. And second, these agreements would not only cover the Western Balkans, but also Romania and Bulgaria (O'Mahony 2010: 139; Bechev 2011: 90). The first change addressed the fears of a return to the times of old Yugoslavia, the second those of a Western Balkans trade 'ghetto'.

This approach involved 21 (later 32) bilateral agreements and was therefore much more complicated to negotiate. Despite this and despite the strong conditionality it had previously exerted, the Commission ended up accepting this compromise. In order to ensure a degree of consistency, the Commission financed the bulk of the technical work on the drafts of the FTA and demanded that the individual bilateral agreements followed certain requirements, also to ensure their conformity with WTO and EU rules [#38, *ibid.*; #62 and #50, Croatian and Serbian officials taking part in the CEFTA negotiations]. Several representatives of the Western Balkan states mentioned that this technical assistance was 'key' or 'decisive' to allow them to negotiate the agreements. Coming from socialist economic systems and stripped from much of the technical expertise by the years of war, the governments lacked the capacity to engage in several trade negotiations at the same time – often in parallel to their WTO accession and SAA negotiations with the EU [#65, *ibid*;

#73, representative for BiH at the Trade WG; #63, *ibid.;* #72, *ibid.*].[242] Accordingly, we assess the emphasis on mentions of EU assistance as 'substantial', while it is important to note that it played an enabling role rather than being a trigger by its own.[243] The already mentioned fact that the bilateral agreements were transformed into a regional just a few years later, allows us to assess a second indicator for the impact of assistance as 'none': the duration of the institutional change.

These requirements to ensure consistency became the main content of the Memorandum of Understanding signed in June 2001 by the five Western Balkan countries and their two Eastern neighbours. In this MoU the countries committed to negotiate all the necessary FTAs by the end of 2002, in just one and half years (Stability Pact Working Group on Trade Liberalisation and Facilitation 2001).[244]

Quite expectably, the bilateral approach led to considerable difficulties in negotiating and ratifying the agreements. On one hand, because of the limited resources available for these tasks in all states involved (O'Mahony 2010: 140), on the other because it allowed to bring bilateral disputes into the bargain [#72, *ibid.*; #65, *ibid.*; Wijkman 2004]. Political interventions both by the Trade Commissioner Pascal Lamy and by the SP Coordinator Erhard Busek became necessary to encourage individual countries to unblock the negotiations or to ratify the agreements [#72, *ibid.*; #61, *ibid.*]. In addition, the SP tried to create a certain degree of peer-pressure by regularly publishing a matrix with the state of negotiation/ratification of the agreements. The Commission did the same by bringing in the state of affairs at the regional level into the bilateral negotiations in the SAP context – conveying the message that progress on regional affairs was necessary to advance on EU association [#72, *ibid..*; #61, *ibid.*]. A SP "emergency meeting" (Wijkman 2004) in December 2002 also served to convey the same message and to accelerate the negotiations (O'Mahony 2010: 140). As a result of this concerted action and as confirmed by several interviewees, the countries in the region came to perceive that the EU would assess their

[242] A Serbian representative recalls that there were "at most ten persons in our administration that knew about trade agreements" [#65, *ibid.*].
[243] This is a similar case as with 'assisted lesson-drawing' in the previously analysed Mercosur Parliament (cf. p.216 above).
[244] Whether these criteria were met or not was regularly assessed by the Stability Pact Stability Pact Working Group on Trade Liberalisation and Facilitation(2003: 2–4). In a separate agreement, Moldova expressed its will to join the process as well.

regional performance as part of its bilateral negotiations. Taking into account that some interviewees assessed this connection with EU assessment procedures as "implicit" [#61, *ibid.*] and others as "manifest" or "very clear" [#50, *ibid.*; #65, *ibid.; #36, ibid.*], we assess the respective indicator for conditionality as 'moderate'. The EU's technical assistance to the individual countries to aid them in drafting the agreements and conducting the negotiations had a certain influence on the design of the agreements in so far as it contributed to approximating these to EU rules and to relevant WTO provisions [#65, *ibid.*; #63, *ibid.*; #38, *ibid.*]. Taking into account that these aspirations can be considered standard or unambitious – certainly below the EU's original interest of achieving regional agreements – we assess the relevance of EU assistance on the design of the agreements as 'moderate'.

Summing up, despite the strong leverage of the EU on the countries of the Western Balkans, the conditionality it applied and the confirmed impact of this conditionality, the countries in the region managed to resist the EU's original proposal and modified it according to their preferences. As a compromise between the EU's preferred approach of a single regional agreement and the reluctance of most countries in the region to enter into any agreements at all, EU conditionality only achieved a 'second-best' solution: a complicated web of bilateral FTAs held together by a set of common conditions. Despite their unparalleled dependence on the EU, the countries' adherence to their recently-gained sovereignty and the burden of history had trumped European conditionality.

When Central Europe shifts south – from 32 agreements to one

In a second phase, taking place in 2005-2006, the set of bilateral FTAs evolved into the common regional free trade area that had previously been rejected by the states in the Western Balkans. By mid-2004, all new FTAs – except those involving the late-comer Moldova - had been ratified in what could be termed as a *tour de force.* Quickly after ratifying the agreements, states in the region realised that the 'spaghetti bowl' of individual FTAs was too complicated and intransparent to be promoted as a promising chance among investors and business [O'Mahony 2010: 140–1; #38, former official Working Table II of the Stability Pact; #65, Serbian representative to the Trade WG]. Over time, the political relations between the individual states had improved, leading to the establishment of working relations between the administrations [#38, *ibid;* #73, *ibid.*]. In addition, the foreseeable accession of Romania and Bulgaria to the EU in 2007 left just the Western Balkans (and Moldova) remaining and therefore no other opportunity on the table than a

Western Balkans trade area. It therefore lost part of its negative connotation (Bechev 2011: 91–2). Furthermore, as repeated by several interviewees, "once the EU confirmed their willingness to accept us all [in the EU, M.H.S.] after meeting the conditions, we realised that it [a regional agreement, M.H.S.] was easier to implement and that we should sign it." [#65, *ibid.*; in the same vein: #73, *ibid.*]

In this context in which material and technical considerations gained room against historical arguments, the EU and the international community in general renewed its impulse to establish a single regional trade agreement.[245] A study commissioned by the SP already in mid-2003 gained new importance. It monitored in how far the existing agreements met the conditions of the 2001 MoU and analysed different paths to harmonise them. Quite unsurprisingly, it recommended that they should be fused into a single FTA (Messerlin and Miroudot 2003). A follow-up study prepared by the same authors in September 2004, once most of the bilateral agreements had been ratified, went even further. It outlined specific options for a single regional agreement and proposed a South-East European Free Trade Area (SEEFTA) as the best option (Messerlin and Miroudot 2004: 5).

This idea was met by resistance from several of the countries in the region – most vocally by Croatia, but also by Macedonia and other countries [#38, *ibid.;* #75, former Macedonian SP coordinator*;* #63, Croatian representative in the Trade WG*;* #73*, ibid.*; #65, *ibid.*]. As the only country in the region that had been granted candidate status already, Croatia feared to be thrown back into the Western Balkans. In addition Croatia had recently joined Bulgaria and Romania in the Central European Free Trade Agreement (CEFTA), a trade agreement originally formed by the Central European candidate countries and which was widely perceived as a stepping stone towards EU membership. In this particular context, providing the candidate status to Croatia did not incentivise but rather diminish its willingness to engage in regional cooperation – a common problem to several Stability Pact initiatives, as described by a senior official of the SP (O'Mahony 2010: 140). Macedonia and others were afraid that the regional trade agreement might serve as a placebo for EU membership (O'Mahony 2010: 145).

[245] Interviews with members of the Trade Working Group confirm the initiative stemmed from the EU [#73, *ibid.*; #65, *ibid.;* #62*,* Croatian representative to the Trade WG].

Despite this opposition, the EU made clear that a regional agreement was high on its list of priorities for the region. According to participants in the negotiations, EU insistence was considerable [#72, *ibid.*; #73, *ibid.*; #62, *ibid.*]. To justify its renewed emphasis, the EU referred to the technical superiority of a single agreement and to the commitment that all countries had made in Thessaloniki in 2003 (echoed also by the SP, see Stability Pact Working Group on Trade Liberalisation and Facilitation 2005: 3). It also stressed that the agreement was not a substitute but a preparation for eventual EU membership [#72, *ibid.;* #62, *ibid.*] and some of the countries took it as a chance to demonstrate a positive track record with their neighbours [#65, *ibid.;* #74, trade official, BiH]. Despite their lack of appetite for a regional agreement, most countries in the region knew that they had no alternative [#73, *ibid.*], and the EU made sure to use the parallel bilateral negotiations (SAA negotiations in most cases) to connect regional to bilateral progress [#76, former Stability Pact coordinator for Serbia and Montenegro; #61, former Croatian assistant minister for European Integration; #65, *ibid.*, #72, former senior official of the SP], also through the simple fact that individual Commission officials participated both in the Trade WG and the bilateral SAA talks [#73, *ibid.*]. Furthermore, the SP and the Commission representatives in the Trade WG worked to ensure that the regional FTA and its later implementation would become part of the progress report in the SAP and accession processes [#72, *ibid.*]. At this point we again observe how the Western Balkan representatives saw the EU connecting a specific regional cooperation objective with its bilateral actions, further confirming our assessment of this indicator for conditionality.

Despite this conditionality, despite the improved trust between the countries and despite the growing realisation that a single agreement made most sense, several countries in the region – with Croatia at the forefront - continued to reject a 'SEEFTA' as championed by the EU [O'Mahony 2010: 141 #72, *ibid.;* #63, *ibid.;* #65, *ibid.*].[246] The EU found an imaginative solution to counter the political concerns of most Western Balkans states: instead of creating a new trade agreement with a name and (Yugoslav) shape the region could not agree to, the countries in the region would take over the already existing Central European Free Trade Agreement (CEFTA) [#65, *ibid.*; #73, *ibid.*]. This proposal was inferior in technical terms – CEFTA was considered an outdated agreement because it lacked any provisions on services or competition (O'Mahony 2010: 141; Messerlin and Miroudot 2004:

[246] In the words of a SP official closely involved in the negotiations, "Croatia made clear that a SEEFTA would only exist over its dead body" [#72, *ibid.*]

4,6) – but politically attractive: well known as a stepping stone towards accession it debunked the fears of being a placebo for accession and its name came with a flavour of modernity and 'Central-Europeanness' to cover any reminiscences of former Yugoslavia. The approach chosen to orchestrate this 'take-over' was to amend and at the same time expand CEFTA (O'Mahony 2010: 141–2). This required the agreement of the existing CEFTA members: Romania, Bulgaria, and Croatia.

A SP progress report from May 2005 shows that the idea remained under dispute (Stability Pact Working Group on Trade Liberalisation and Facilitation 2005: 2–4). It took "extensive discussions" and "considerable political interventions" at the highest political levels from the Trade Commissioner and the Stability Pact coordinator [#72, Stability Pact official; #62, Croatian trade official] to convince Croatia to loosen the entry conditions for the other countries in the region to become CEFTA members as well (cf. Vranković 2005: 3; Bechev 2011: 92).[247] In order to underline – especially towards Croatia - that the agreement was not just a 'Western Balkan' affair, the EU pressured the two candidate countries in the Stability Pact, Romania and Bulgaria, to also participate in the refurbishment of CEFTA and pushed the parties to agree on the only deadline that would make this possible: the end of 2006, just before the two countries would have to leave CEFTA because of their accession to the EU (Berisha *et al.* 2006b). According to a senior official from Bulgaria and to an SP representative, the incentive of EU membership and the fact that the accession date for Romania and Bulgaria could still have been postponed were decisive here [#72, *ibid;* #36, former senior official at the Bulgarian MFA]. Again, we observe that the actors in the region perceived that the EU's bilateral actions were connected to their agreement to the CEFTA solution. This further confirms our assessment of a 'substantial' emphasis on connections established by the EU between its financial or political actions and this regional objective.

Four intense rounds of negotiations in just five months between June and October 2006 led to the signing of the renewed CEFTA2006 and to the odd ceremony described in the introduction to this case study, in which Romania and Bulgaria subscribed to a trade

[247] Originally, CEFTA required WTO membership and a Europe Agreement / SAA as pre-conditions to become members. The accounts of an involved SP official recall an especially difficult moment when the Commission mentioned a regional FTA in its January 2006 communication on the Western Balkans as a quasi-fact (Commission 2006a: 6-7;15-16; O'Mahony 2010: 145). In this context, Croatia threatened to suspend the negotiations, showing how tense the situation was [#72, *ibid.*].

agreement that they would leave just ten days later [Berisha *et al.* 2006a; Albania *et al.* 2006a; #72, *ibid.*; #65, *ibid.*; #73, *ibid.*]. Over the course of these negotiations, several political interventions were again necessary and a number of participants in the round recall that EU conditionality was a decisive driver for their governments to speed up the talks and to agree on some of the most disputed points [#65, *ibid.*; #61, *ibid.; #73, ibid.*]. In sum, we observe here a consistent and prominent mention of EU requirements – not in public utterances but certainly in interviews with EU counterparts. We therefore assess the respective indicator for conditionality in table 7.5 as 'substantial'.

Summarising the impact of EU influence on the two phases of the negotiations, we see that conditionality had a 'substantial' impact on the decisions of the countries (7 out of 10 points), while assistance did only have a 'moderate' impact (3 out of 6) that was also concentrated on the first phase of the negotiations between 2000 and 2004. The respective assessments are summarised in the tables below. Much like in one of the previously studied cases for Mercosur, we see that assistance played a supporting influence rather than being a trigger for chance on its own. Once the countries in the region had agreed to negotiate free trade agreements between them, EU assistance allowed them to surpass their own technical limitations. For the impact of conditionality we observe two interesting traits. First of all we see that conditionality had an impact but also that this impact was not the regional agreement that the EU had hoped for, but rather a complicated 'second-best' solution: the objective of conditionality changed over the course of the negotiations. Secondly, this is even more surprising since it reflects that the countries in the region were able to modify the EU's proposals according to their local preferences – despite the huge leverage that the EU had and still has on the region.

Impact of conditionality on Regional free trade in the Western Balkans

Indicators (units of assessment in *italics*)	**Score**
prominence of mentions of EU conditionality in **speeches**, **statements, documents** or in **interviews** with EU counterparts.	*0*
emphasis of mentions of connections established by the EU between its financial or political actions and the achievement of a specific regional cooperation objective in **statements**, **documents** or in **interviews** with EU counterparts.	*2*

emphasis of justifications of a specific institutional change with expected improvements in a functionally different area voiced in **speeches, statements, official documents** and in **interviews** with policy-makers from the EU's counterpart.	*2*
emphasis of justifications of a specific institutional change with an EU assessment procedure in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*1*
emphasis of mentions to EU requirements in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*2*
Impact of conditionality scores as none (0) – moderate (1-5) – substantial (6-10)	**7** **Substantial**
categorisation of *prominence* and *emphasis* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 7.5: Conditionality and regional free trade in the Western Balkans

Impact of assistance on Regional free trade in the Western Balkans

Indicators (units of assessment in *italics*)	**Score**
emphasis of explicit mentions of EU assistance as a trigger for institutional change in **speeches, statements, documents** or in **interviews** with EU counterparts.	*2*
relevance of EU assistance in the design of institutional change as reflected in **speeches, statements, documents** or in **interviews** with EU counterparts.	*1*
duration of institutional change created with EU assistance as reflected by **documents** from and in **interviews** with EU counterparts.	*0*
Impact of assistance scores as none (0) – moderate (1-3) – substantial (4-6)	**3** **Moderate**
categorisation of *emphasis*, *relevance* and *duration* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 7.6: Assistance and regional free trade in the Western Balkans

Synthesis

The creation of CEFTA2006 concludes the relatively quick but still complicated path of the Western Balkans to a regional free trade area. A 'substantial' institutional change in terms of our model, CEFTA2006 required a detour that involved 32 bilateral free trade agreements that only lasted for a few years and the two-week membership of Bulgaria and Romania, which acted as *Cicerones* to their Western Balkan neighbours.

The negotiations leading to the bilateral agreements and later to CEFTA2006 show a 'substantial' impact of EU conditionality and a 'moderate' impact of EU assistance. This is consistent with the leverage of the EU towards the region in terms of economic dependence and reliance on the provision of security, international legitimacy and recognition. Nonetheless, the EU's almost hegemonic leverage over the region makes some

of our results regarding conditionality quite intriguing. First of all, in the region where the EU's leverage is likely to be the highest worldwide, one would have expected a stronger impact of conditionality than a score of 7 out of 10. Secondly, it is astonishing that the countries in the region managed to confront and modify the EU's conditionality in the first phase of the negotiations between 2000 and 2004. When confronted with an almost unanimous opposition to its recipe for regional trade integration, the EU reacted to the realities on the ground. It did not drop conditionality altogether, but adapted it to achieve a second-best objective (the bilateral agreements) rather than the 'gold standard' of an EU-inspired regional FTA. These two results point at the relevance of social scope conditions: in the aftermath of the Yugoslav breakup wars, the strong attachment to national sovereignty did not only trump EU conditionality but also the notion of what everyone considered a technically superior agreement. In the same vein, the inclusion of Romania and Bulgaria in the new CEFTA shows in how far political symbolism went over rational considerations. In this context, EU assistance played only a secondary role. It allowed the countries in the region to overcome their limitations in negotiating the bilateral agreements but it did not spur them. The following sub-chapter will now analyse whether and how the EU had an impact on creating institutions for regional cooperation in the Western Balkans.

7.4 Institutions for regional cooperation

The break-up of Yugoslavia washed away a whole institutional set-up that connected the republics to each other in many policy fields, ranging from telecommunications over industry to the military, to name just a few examples. While the restauration of this framework was out of question, it soon became clear - to the international community, not to the region itself – that the Western Balkans needed some sort of institutional underpinning to deal with common challenges. In this context, the EU promoted the creation of institutions that would form a stable framework for regional cooperation and regular exchange. In line with the strategy outlined in chapter 7.2.1 above, such institutions would deal with practical and pressing issues first, but aimed to nourish a culture of regional cooperation that would span into further policy fields and build confidence between the governments in the Western Balkans.

This section studies two cases of institutional change in the Western Balkans related to the Stability Pact for South-Eastern Europe, the EU-sponsored framework that became

the hub for most of the regional cooperation initiatives in the Western Balkans and a channel for international support to the region. The first case-study analyses the creation of the Stability Pact in 1999 and focuses on how the Western Balkan states (and some of their neighbours) were induced to participate in a framework that pushed them to cooperate with the neighbours they had been confronting in wars just a few years before. The second case study explores the EU's activities to transform this externally imposed framework for regional cooperation into an institution under "regional ownership".

7.4.1 An externally imposed framework for regional cooperation – the Stability Pact

In 1998-99, the Kosovo War brought to the fore once more that regional linkages played a decisive role in the post-Yugoslav setting. Within a few months, the conflict had developed ramifications towards Macedonia, Albania and Montenegro – beyond the effect that the conflict itself and the Western reaction had on the FR Yugoslavia. The war did not only put into question whether the Regional Approach and the numerous bilateral approaches championed by the EU and the international community had been successful, but it also created a need to react to what once more looked like European incapacity to prevent and manage conflicts in its most immediate neighbourhood. In this context, the German government – holding the Council Presidency and under considerable internal criticism after participating in its first military intervention since World War II – proposed the establishment of the Stability Pact as a regional framework for the Balkans.[248]

The following paragraphs begin the case study by briefly assessing the creation of the Stability Pact from the perspective of our model for institutional change. The ensuing section assesses the context in which this change took place and the domestic incentives of the Western Balkans countries to participate. The process-tracing will analyse whether and to what extent different paths of EU influence played a role in bringing the countries in the region into the Stability Pact, a system of mutual commitments that bound them to the region many had been trying to escape from.

[248] Biermann(1999: 12) and Friis and Murphy(2000: 768–9) describe the different interests and motivations that shaped the proposal of the Stability Pact.

Launched right after the end of the Kosovo war at the June 1999 European Council in Cologne, the Stability Pact (SP) had a double objective. Towards the region itself, it sought to encourage democracy and human rights, economic development and security through regional cooperation – the core function of the SP in terms of our assessment model. From an EU point of view, it tried to demonstrate the Union's ability to take responsibility and display international leadership for the region. Its main mechanism of action consisted in tying the regional cooperation objectives to two incentives. On one hand, the SP tried to bring all significant international donors and actors around the same table to channel their support towards commonly agreed objectives. On the other, it connected these objectives to the powerful incentive of Euro-Atlantic integration (Friis and Murphy 2000: 769; Biermann 1999: 34). It was the first time that this incentive was spelled out in relatively bold terms – something that Germany achieved only against significant scepticism and opposition from France and other EU member states (Biermann 1999: 14, 16; Friis and Murphy 2000: 771). Representatives from the region confirm that the accession perspective was what gave the SP a significant value (Friis and Murphy 2000: 770) [#59, senior official, Croatian MFA; #61, former Croatian assistant foreign minister; also: #36, former senior official at the Bulgarian MFA], even in the clumsy and watered-down version that was ultimately included in the SP founding declaration: "The EU will draw the region closer to the perspective of full integration of these countries into its structures" (Stability Pact 1999b: 20).

Initiated by the EU and endorsed by most of the international community, the SP drew together a vast number of actors. Grouping them in categories did little to increase clarity: participating states (the SEE countries, including Romania and Bulgaria)[249], the EU member states and the European Commission, facilitating states (including the US and Russia), international organisations (including the OSCE under which/whose 'auspices' the SP was placed), international financial institutions and regional initiatives made for up to 50 actors that sustained the SP. The FR Yugoslavia was invited to participate once it met the

[249] Montenegro – still a part of the FR Yugoslavia – was invited to take part in meetings as "guest of the chair" (Biermann 1999: 16), further emphasising Serbia's isolation.

conditions (Stability Pact 1999b: 11).[250] A 'Special Co-ordinator' was appointed by the EU and endorsed by the Chairman in Office of the OSCE (Stability Pact for South-Eastern Europe 2005a; 1999b: 1, 13, 17-40). Paid by the EU, this role and a relatively small team of up to 30 officials and experts were the only dedicated resources of an organisation that was meant to work by drawing together means and political support from all the actors involved. In fact, and according to officials and close observers involved in the SP, the EU was the most important actor in the SP, but it could seldom act without securing support from other significant actors [#38, #72, senior officials at the SP; #36, *ibid.*; #75, 76, former national coordinators for the SP, Macedonia and Serbia and Montenegro respectively]. Which actors were significant varied with the issue at hand (security, development, etc.). The working tables were led by a chair from outside the region appointed by the Regional Table and a co-chair that rotated among the countries in the region (Stability Pact for South-Eastern Europe 1999).

The special co-ordinator chaired the Regional Table, the main decision-making body of the SP. Meeting twice a year at ministerial level, the Regional Table served to mobilise political support for regional initiatives and regularly received reports from the three thematic 'working tables'. Bimonthly meetings between the chairs of the three working tables and the SP co-ordinator sought to ensure a certain degree of coherence and served to elevate contentious issues to higher political levels (Stability Pact for South-Eastern Europe 2010d: 34; Bechev 2011: 51–3). The three working tables facilitated regional agreements on issues included in regularly updated working plans, for example on education in the case of the WT on democracy, on transport networks for the WT on economic development or on small arms in the security WT (Ministers of Education and Higher Education of SEE 2010[2003]; Albania *et al.* 2010[2004]; Regional Arms Control Verification Implementation Assistance Centre 2010[2001]). Inspired by the Conference for Security and Co-operation in Europe (CSCE) and the later OSCE, the Stability Pact was sparse on rules or procedures and banked on the positive effect of regular meetings and the incentives of Euro-Atlantic integration and aid. Both the Regional Table and the working

[250] The Sarajevo Summit that further endorsed the SP a few months later included an almost unveiled encouragement for regime change in the FR Yugoslavia, calling upon its people to "embrace democratic change" Sarajevo Summit (1999a: 4).

tables would usually finish their meetings with 'Conclusions from the Chair', requiring a broad agreement but no formal vote.

In the same vein, and now moving to the fourth dimension of institutional change, the Stability Pact did not have any competences in a classical sense. Instead, it functioned by creating issue-specific 'coalitions of the willing' and by conveying unified messages and financial support to the countries in the region. Over the course of time, its appraisal of the countries' performance in regional cooperation became more and more important and a powerful mechanism of action. Its assessment was taken into account especially by the EU but also by other international actors [#38, former senior official of the SP; #51, EEAS official; #32, senior official, DG ELARG; #36, senior official, Bulgarian MFA]. The fact that the SP found its role over time and evolved in its tasks is only natural for an institution that was born out of the pressure to act quickly and often seen as "a mere idea, with no strategic thinking behind it" [#14, former Council senior official; in the same vein: #59, senior official, Croatian MFA, Busek(2010: 257–8)].

In sum, the creation of the Stability Pact as a new institution for regional cooperation in the Western Balkans and the rest of SEE came with change on three of the four dimensions of our assessment model (core function, actors and decision-making). It therefore qualifies as a 'substantial' institutional change: with the goal of encouraging democracy and human rights, economic development and security through regional cooperation, it brought together a broad coalition of regional and international actors and established light decision-making and reporting mechanisms. All these elements were geared towards bringing on board all players relevant to the region to direct their engagement and that of the countries in the region to the central incentives of approximation to the EU and NATO. Coming into an already crowded scenery in which every actor had its own means and preferences, the Stability Pact had no competences of its own. Instead it relied upon the effect of socialisation between the countries in the region and on the power of a unified message to the region. Table 7.7 below sums up this assessment on the basis of the indicators identified in the analysis.

Dimensions of institutional change	Change indicators	Score
Core function	Promoting regional cooperation on democracy and human rights, economic development and security.	1

Actors	Up to 50 participating states and institutions, ranging from the countries in SEE over facilitating parties to IFIs Special Co-ordinator appointed and financed by the EU and endorsed by the OSCE Secretariat of up to 30 officials and experts, financed mostly by the EU	1
Decision-making	No formal rules for decision-making A Regional Table at ministerial level formed by all actors takes decisions by broad agreement, without formal votes	1
Competences	No competences in a formal sense	0
Institutional change – Stability Pact		**3 Substantial**
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.		

Table 7.7: Institutional change in the creation of the Stability Pact

Context and domestic incentives – Optimists and sceptics

From the point of view of the Western Balkan states participating in the SP, the context was that of a situation of weakness and dependence on external support. In 1999, when the SP was launched, all states in the region had just begun to recover from the previous wars. Most of them were subject to different degrees of international *tutelage.*[251] The Kosovo War and its regional ramifications had suddenly shown that stability in the region was still precarious. It had also called into question the recipes that had been followed to pacify the region. While this context can certainly be characterised as a 'critical juncture' that opened a window of opportunity for new ideas and approaches, it is also quite obvious that increased regional cooperation was not put on the agenda by the Western Balkan countries themselves but as an external push.

Against this background, the varying openness of the different Western Balkan countries to European or international proposals and influence is more interesting for the assessment of the EU's impact in 'selling' the SP to the region. Indeed, most of the region greeted the new initiative with optimism or at least with cautious indifference (Bechev

[251] Except the FR Yugoslavia, which had just suffered a NATO-led intervention and was subject to a number of international sanctions, all countries in the region had a strong involvement of either civilian or military international missions, of International Financial Institutions or other actors – up to the extent of Bosnia's oversight through the High Representative created in the Dayton Peace Agreement.

2011: 53; Friis and Murphy 2000: 769). Albania, Macedonia and Bosnia-Herzegovina cared less about the promised coordinated provision of international aid and funds than about the accession perspective that the SP contained [#75, former Macedonian national coordinator for the SP; Bechev 2011: 53]. Montenegro, led by a reformist government and included in the SP as a 'guest of the chair' but still a part of the FR Yugoslavia, found itself in a similar situation (cf. Biermann 1999: 38–40). On the opposite side, the idea of the SP was met with profound scepticism by the FR Yugoslavia – more specifically, by Serbia – and also by Croatia, albeit for different reasons. Yugoslavia was not invited to participate in the SP in light of its lack of "respect [to] the principles and objectives of this pact." (Sarajevo Summit 1999a: 4). The set-up of the Pact, including all states in the region except Yugoslavia and more than opening the door for the participation of a constituent part of Yugoslavia (Montenegro), was seen as an "alliance of the West against us" in the country that still claimed regional primacy [#69, senior official in charge of regional cooperation policies, Serbian MFA, recalling official views at that time; in the same vein: #76, former national coordinator for the SP, Serbia and Montenegro]. For Croatia's conservative government, the SP was once more an attempt to draw it back to the region from which it tried to detach itself and in comparison to which it had achieved a relative progress.[252] Finally, Bulgaria and Romania were torn between their wish not to be thrown into the same pot as the Western Balkans and an interest to present themselves as constructive brokers in the EU's strategy for the region (Bechev 2011: 55).

In sum, we observe that, like in the previously analysed case of trade integration, the end of the Kosovo War in 1999 can be considered a 'critical juncture' that opened up the region to new international proposals and interventions. At the same time, the whole inception of the SP took place outside the region with only limited say for the Western Balkan countries. The domestic incentives to accept the EU's initiative of the Pact differed from one Western Balkan territory to the next. To the east of the Western Balkans, Romania and Bulgaria remained hesitant to being included in a regional endeavour whose European perspective was spelled out but far from becoming a reality anytime soon.

In light of this context the ensuing process-tracing will concentrate on the sceptics and on whether and how the EU managed to draw them into the Stability Pact. Since the

[252] As a sign for this stance, recall the constitutional provision introduced by Tuđman in 1997 that virtually forbid regional agreements with former Yugoslav states (see footnote 240 on p. 270 above).

focus of this study lies on the Western Balkans itself, the following paragraphs will concentrate on Croatia and leave aside Romania and Bulgaria.[253]

Drawing Croatia on board – From 'Mitteleuropa' back to the Balkans

The split between the countries in the region and the fact that the SP was a clearly externally induced initiative that came upon the Western Balkans in a very short time puts the focus of our analysis on those mechanisms where the thick of the action lies on the EU's initiative. This section will therefore assess whether and to what extent EU conditionality (H1a), assistance (H1b) or persuasion (H3) played a role in bringing Zagreb on board the SP.[254]

Accounts of the negotiations reveal that the proposal for the SP was first presented to the region at a meeting in the beginning of April 1999 to which the German EU Council presidency invited the foreign ministers of eight countries affected by the Kosovo crisis: Albania, Macedonia, Bosnia-Herzegovina, Croatia, Slovenia, Bulgaria, Romania and Hungary (Friis and Murphy 2000: 783).

During the inception of the SP, Croatia did not hide its strong scepticism towards the project. The nationalist government refused at first to become part of a project seen as "regressive" and that would tie its fate to that of the of the other former Yugoslav republics (Vucetic 2001: 124–5; Biermann 1999: 10). This stance was grounded in a discourse that interpreted the mostly catholic country as a part of 'Mitteleuropa' as opposed to the Balkans (see for example, Vaulasvirta 2017: 32–6). Since these were fundamental and not material concerns, we can exclude that EU assistance (implying material judgements) tipped the balance in favour of Croatia's participation in the SP. Moreover, the short time span in which the SP's initial idea was launched in the German Foreign Ministry, discussed and promoted among the international community (approximately five months between January and June 1999, see Biermann 1999: 13–20) makes an EU influence through

[253] Different accounts in the literature and from our interviewees indicate that Romania and Bulgaria only joined the SP with reluctance and after considerable EU pressure [Bechev 2011: 55, 106–107; #36, former senior political official, Bulgarian MFA; #38, former SP official].

[254] While the SP was modelled after the CSCE and the later OSCE, we will not analyse lesson-drawing here because the inspiration for this institutional design did not come from the Western Balkan states themselves, but from the German government.

persuasion highly unlikely. After all, persuasion requires the change of preferences over time and out of conviction, not as a tactical adaptation to external stimuli. Furthermore, the Croatian scepticism towards the SP remained even after it had become a partner in the endeavour. Even after the December 1999 elections and the advent to power of a reformist government, Croatia maintained its scepticism towards any initiatives that placed it in the context of the Balkans (Cvijetić and Granić 2000).

Out of all these reasons, an EU influence through conditionality seems much more likely at the outset. If we look at the EU's relation with Croatia at the time (1999), we can see which levers the EU had at its disposal to influence Zagreb. In the first half of 1999, Croatia already enjoyed the unilateral trade preferences granted by the EU to most countries in the Western Balkans, but it was still excluded from the most relevant EU technical assistance programmes and, like the FR Yugoslavia, only received humanitarian assistance (Commission 1999b) Furthermore, in parallel to the inception of the SP, the EU launched its SAP and offered all the countries in the region the conclusion of Stabilisation and Association Agreements (SAAs). As described in chapter 7.2 above, this process opened up a new ladder of conditionality. Among the first steps in the ladder, a so-called feasibility study was to precede the opening of SAA negotiations. When the EU launched the SAP in May 1999, Croatia was excluded from the opening of such a study because "the relevant conditions have not yet been fulfilled" (Commission 1999: 5). These conditions referred mostly to democratization, minorities and refugees, but also included the improvement of regional cooperation (Commission 1999: 14).

Indeed, Croatian officials recall that the "international community and the EU pressured the [conservative, *M.H.S.*] government" [#59, senior official at the Croatian MFA; similarly #61, former Croatian assistant minister for European Integration] to join the SP. For the Croatian government, the only positive side to the SP seemed to be the fact that Milošević's Yugoslavia was excluded, as a senior official recalls [#59, *ibid.*]. At the same time it is quite clear that other issues, like cooperation with the ICTY and easing the resettlement of refugees, were more important and more specific conditions than participation in the SP [as recalled by #61, *ibid.*] and that these were the conditions that would determine the fate of EU-Croatia relations. In light of these accounts we assess the EU counterparts' emphasis in mentions of the connection of EU actions with Croatia's participation in the SP as 'moderate'. Most probably because of the higher importance of other issues, we did not

find any prominent mentions of EU conditionality related to the SP in speeches, documents and interviews from/with Croatian officials and politicians. We therefore assess this indicator as 'none'.

Since the SP also included some of the most controversial political issues in its agenda – like the afore-mentioned refugee issue – taking part in it allowed the Croatian government to demonstrate its good will in principle. In addition, Croatia used the context of the 1999 Sarajevo Summit that inaugurated the SP to bilaterally settle a border issue with BiH (Klemenčić 2000). These demonstrations of sympathy at a relatively low cost and the risk of finding oneself isolated like Yugoslavia may have been compelling arguments to participate in the SP. As part of the EU's redefined policy to the region (cf. 7.2.1 above), Croatia was subject to a regular assessment to decide upon its inclusion in aid programmes or its 'graduation' into the SAP. This assessment included its willingness for good neighbourly relations and regional cooperation. This was already part of the Regional Approach and became even more prominent in the SAP launched in May 1999. Indeed, in its very first formalised interaction with Croatia, the EU stressed the importance of regional cooperation and participation in the SP in the meetings of the so-called EU-Croatia Joint Consultative Task Force (Council 2000a). In its May 2000 feasibility study, the European Commission noted positively the participation of Croatia in the SP (Commission 2000: 10, 19, 21). This contributed to the Commission's recommendation to start the negotiations on a SAA, although the positive impetus brought by the newly-elected reformist government was certainly the main argument (Commission 2000: 21–2). Despite these clues and the reasonable assumption that Croatia could foresee that a participation in the SP would pay off for its 'ranking', it remains difficult to find any specific evidence that the Croatian government justified its participation because of the EU assessment procedures. Instead, we find diffuse justifications of the like that the "it was clear even to the previous government that EU governments would judge us on this" or "we could show that we are not blocking anything" [respectively, #61, *ibid.*, and #59, *ibid.*]. We therefore assess the indicator for the role of EU assessment procedures as 'none'.

Beyond these diffuse justifications of its participation in the SP with the expectation that disobedience would damage Croatia's reputation and track-record towards European integration, we only found sparse evidence that the specific action of joining the SP would

have been justified with expected improvements in a functionally different field. A senior official in the Croatian MFA that started his/her career at the time, recalls that the "SP was hot water, but it allowed us to get to know the structure of accession negotiations" [#59, *ibid.*]. We therefore assess this particular indicator as 'moderate'. Whenever Croatian interlocutors and politicians justified the country's participation in the SP, EU requirements (or the international community in general) were the main argument used [#59, *ibid.*; #61, *ibid.*; #63, senior Croatian official], only in few situations did we find justifications that resorted to intrinsic reasonings related to the cooperation issue at hand. This distance to regional cooperation remained the case even once the new, reformist and pro-European, government was in office. For example, at its first major regional meeting the new Croatian government emphasised that the SAA and the SP were two separate issues, with Prime Minister Račan countering the Commission's emphasis that "we want to see the countries weave a web of bilateral and regional relationships between themselves" with a statement meant to appease criticism back home: "Croatia could accept regional cooperation, but not regional fate" (as quoted by Gallagher 2001; see also Bechev 2011: 90–1; Grubiša 2000: 120–1; Vucetic 2001: 124). We therefore assess the emphasis on EU requirements in speeches, statements, documents or interviews with Croatian EU counterparts as 'substantial'.

Summing up all the indicators analysed, we can conclude that EU conditionality had just a 'moderate' impact (4 out of a possible score of 10) on Croatia's decision to join the Stability Pact - despite Croatia's strong aversion against being placed in the same boat as the other former Yugoslav republics. In fact, EU conditionality was perceived as diffuse on this particular issue, possibly also because it was in Croatia's very own rational interest to join the SP – while publicly maintaining a tough stance towards the region. Table 7.8 below presents the scores along the individual indicators.

Impact of conditionality on Croatia's participation in the SP

Indicators (units of assessment in *italics*)	Score
prominence of mentions of EU conditionality in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*0*
emphasis of mentions of connections established by the EU between its financial or political actions and the achievement of a specific regional cooperation objective in **statements**, **documents** or in **interviews** with EU counterparts.	*1*

emphasis of justifications of a specific institutional change with expected improvements in a functionally different area voiced in **speeches, statements, official documents** and in **interviews** with policy-makers from the EU's counterpart.	*1*
emphasis of justifications of a specific institutional change with an EU assessment procedure in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*0*
emphasis of mentions to EU requirements in **speeches**, **statements**, **documents** or in **interviews** with EU counterparts.	*2*
Impact of conditionality scores as none (0) – moderate (1-5) – substantial (6-10)	**4** **Moderate**
categorisation of *prominence* and *emphasis* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 7.8: Conditionality and Croatia's participation in the SP

Synthesis

Rushed through in just a few months, the Stability Pact for South-Eastern Europe was the EU's attempt to redraw its strategy for the region after the Kosovo war had shown that the Western Balkans continued to produce instability and violent conflicts. As expressed by then German Foreign Minister Joschka Fischer, the SP sought to overcome two deficits of previous policies:

> "The previous policy of the international community vis-a-vis former Yugoslavia had two severe deficits: It concentrated on the consequences instead of on the sources of conflict, and it tackled the problems of the region individually and separately from the ones in other parts of Europe." (Speech of Joschka Fischer at the Conference on the Stability Pact for Southeastern Europe, Cologne, 10 June 1999, as quoted in Biermann 1999: 6).

Designed to encourage democracy and human rights, economic development and security through regional cooperation, the SP tied these objectives to two main incentives. On one side, it tried to commit all international donors and their resources to these objectives, on the other it promised Euro-Atlantic integration. A 'substantial' institutional change in terms of our assessment, the SP adapted the structure of the CSCE. It relied on a light institutional structure financed by the EU and on taking decisions by broad agreement.

With an implicit 'take it or leave' message attached to it, the Pact came upon the region unexpectedly and as an externally conceived idea. The role of the countries in the region was not to shape and design this institution but just to decide whether to take part in it. For most of the countries, the accession perspective attached to the SP was an

incentive important enough to overcome the worries of finding themselves entrenched in the region. The exclusion of most of the FR Yugoslavia made it easier for them to participate. For Montenegro, its informal involvement in the SP meant an important international backing for its reform policies. For Croatia in turn, the SP went counter to all its attempts to detach itself from the conflict-ridden region and against the nationalist rhetoric of the conservative government.

Despite its initially harsh opposition to the SP, Croatia ended up joining it in June 1999. The "moderate" impact of conditionality is relatively surprising in view of the EU's strong leverage on the region.[255] Possibly, this can be explained with a pseudo-opposition of Croatia to the SP towards the public. In need to maintain its discourse of Central European identity and rejection of the Balkans, the Croatian government may have well decided to oppose the SP in public while being aware that political and economic rationality pointed in favour of joining. While this explanation seems plausible, it remains surprising that none of the Croatian officials interviewed mentioned such a double-discourse strategy. Years after the events, admitting this strategy in an interview to a researcher would not have implied any cost. Another explanation may lie – as in the previously studied case of trade integration – in the relevance of social scope conditions: it seems that even EU conditionality may not have been sufficient to overcome the Croatian identity struggle. The fact that the reformist Croatian government from 2000 on maintained its scepticism to regional endeavours way above that of other states in the region may point in this direction.

As the SP was brought to the Western Balkans without any meaningful involvement of the region in its design, staffing or purpose, soon criticism arose that it lacked "regional ownership" (Kühne 2010: 245–8). As the region showed signs of becoming more stable and the international community and the EU sensed that it was shifting away from a post-conflict setting, plans to transform the SP into a "regionally owned" process gained prominence. The following case study will analyse how the SP was transformed into the Regional Cooperation Council.

[255] Similarly to the results in trade case study in section 7.3.1 above.

7.4.2 From the Stability Pact to the Regional Cooperation Council – moving from paternalism to regional ownership?

As the Kosovo war receded into the distance and the Western Balkans stopped to produce regular headlines on violent outbursts, the debate on how to increase the region's responsibility in its own affairs gained momentum. Especially from 2005 on, these discussions were propelled by an increasing 'donor fatigue' among those international SP partners less affected by the burdens of the region, mostly the US (Kühne 2010: 247; Bechev 2011: 145–6). For the SP, the ownership discussion started the search for an institutional solution that would increase the region's say in its regional fate but at the same time guarantee that the international community remained engaged and influential. The Regional Cooperation Council (RCC) stood at the end of this process, succeeding the SP.

The following paragraphs begin the case study by briefly assessing the transformation of the SP into the RCC. The ensuing section assesses the context in which this change took place and the domestic incentives of the Western Balkans countries. The process-tracing will analyse in how far the different paths of EU influence played a role in moving the countries of the region to accept the reformed institution or whether it was their interests that shaped the process – being a first sign of the so often recurred to 'ownership'.

Institutional change – regional ownership, but not too much

When the SP handed over its role to the RCC in 2008 at the last meeting of its Regional Table in Sofia, it gave way to a 'regionally owned' institution whose fate was to be steered by the South-East European Cooperation Process (SEECP). Founded in 1996, the SEECP is often labelled as the only regional initiative that was launched from within the region, without any external pressure.[256]

The transformation of the SP into the RCC came also with a redrafted mission for the organisation, which was now meant to support the countries in the region in collaborating on six main objectives: economic and social development, infrastructure, justice and home affairs, security co-operation, building human capital and parliamentary

[256] On the SEECP and its development see Bechev(2011: 131–51). and Altmann(2003: 135–7).

cooperation (Stability Pact for South-Eastern Europe 2010e: 5). While these objectives meant a certain specification and selection among the numerous regional initiatives sponsored by the SP, the main task of the RCC remained to promote regional cooperation on all these themes (Stability Pact for South-Eastern Europe 2010e: 3). We do therefore not appreciate any significant variation in the first of our dimensions of institutional change: the core function.

The most relevant changes came in the fields of the involved actors and the decision-making. Putting the RCC under the command of the heads of state and government of the region through the SEECP was the most visible and relevant change (Heads of State and Government of the SEECP 2007; Regional Cooperation Council 2010[2008]). This change meant that the EU and the international community stepped back in terms of their public visibility. For most of the involved donors, this change did indeed reduce their involvement. Not so for the EU, which remained at the helm of the RCC through its involvement in the Board and as the main sponsor of the RCC's secretariat and of most of its activities. Despite the reform, contributions from the region to the RCC, these account for just a third of the overall budget, with the EU remaining the single largest contributor.[257] RCC and involved EU officials confirm that the EU's role – while much less visible at a political level – remains decisive in steering the RCC [#33, Commission official; #51, EEAS official; #75, senior RCC official; #49, Serbian diplomat working on regional cooperation initiatives].

A closer look at the decision-making structures and the roles of the different actors shows though that the SEECP is less in charge than it might seem at first sight. While it is meant to provide a broad mandate to the RCC and to choose its Secretary-General (Stability Pact for South-Eastern Europe 2010e: 14), strategic decisions – such as the adoption of the RCC's yearly programme and the acceptance of the Secretary-General's report – are all in the hands of the RCC Board (Stability Pact for South-Eastern Europe 2010e: 10), i.e. with an

[257] During the creation of the RCC, it was decided that the EU would bear one third of the operating costs of the RCC's secretariat, international donors another third and the region would contribute the rest (Rotta 2008: 67; Bechev 2011: 145). Actually, the EU is the only member of the RCC Board expressly mentioned in the RCC statute, while all other members qualify for membership through their contributions to the budget (Stability Pact for South-Eastern Europe 2010e: 10). Similarly, co-operating closely with the EU is one of the tasks explicitly given to the RCC's Secretary-General Stability Pact for South-Eastern Europe(2010e: 13i).

at least equal say for the EU and further donors from outside the Western Balkans.[258] Accounts from persons involved in the negotiations reveal that this degree of extra-regional oversight was not just a wish of the international community. Also the states in the region sought to prevent a disengagement of the EU [#75, former national coordinator for the SP; Kühne 2010: 248–9]. Whereas the SP did not foresee any specific decision-making rules, the RCC codified the existing custom and foresees decisions by consensus, understood as the absence of an objection (Stability Pact for South-Eastern Europe 2010e: 12). In sum, we see that both the decision-making structures and the actors involved changed considerably in the transition from the SP to the RCC.

Much like its predecessor, the RCC does not have any clearly spelled-out competences. Its tasks are formulated more specifically than for the SP and it is meant to become the 'operational arm' of the SEECP, which had so far only consisted of regular summits and meetings at different political levels. Despite this, the tasks of the RCC remain rather vague – sustain regional co-operation, provide guidance, receive input, promote European integration, etc. - and it does not have any capacities of its own to attain its objectives, except for the expertise of its staff and the good offices of its Secretary-General (Stability Pact for South-Eastern Europe 2010e: 3). We therefore assess that there is no significant change in this last dimension of our institutional change model.

In sum, our assessment of the dependent variable institutional change shows that a 'moderate' institutional change took place in the transition from the SP to the RCC, especially in terms of the actors involved, their roles and the decision-making rules. All of these changes sought to gradually increase the involvement of the region in its own matters, while at the same time retaining a large degree of influence and discretion for the international community and especially for the EU. Table 7.9 below sums up this result and the individual indicators for institutional change.

Dimensions of institutional change	Change indicators	Score
Core function	From promoting regional cooperation on democracy and human rights, economic development and security	0

[258] The appointment of the Secretary-General of the RCC can also be vetoed by the EU and external donors, since it must be approved by the RCC Board.

	to promoting regional cooperation on six broad thematic fields, partly overlapping with the previous ones.	
Actors	From up to 50 participating states and institutions to SEECP participating states, UNMIK/Kosovo, EU, IFIs, and individual donor countries (incl. US, Switzerland and a number of EU member states). Newly formed RCC Board in charge of decision-making formed by SEECP members, EU, US, and individual EU member states contributing to the RCC budget. From an external Special Co-ordinator appointed and financed by the EU to a Secretary-General from the region appointed by the SEECP. Secretariat of up to 30 officials and experts, financed in shares of 1/3 by the EU, the states in the region and by further donors.	1
Decision-making	From no formal decision-making rules to consensus (i.e. lack of objection). SEECP summits provide broad directions, strategic and operational decisions taken at the RCC Board.	1
Competences	No competences in a formal sense	0
Institutional change – From the SP to the RCC		**2 Moderate**
Categorisation of the variable as none (0) – moderate (1-2) – substantial (3-4) depending on the number of dimensions changed. The core function represents a threshold below which institutional change is always considered moderate.		

Table 7.9: Institutional change from the SP to the Regional Cooperation Council

In how far was this transition oriented along institutional models promoted by the EU? In how far did the strong European leverage limit the region's freedom in choosing its paths towards stronger 'ownership'? In light of the declared will of several countries in the region to separate themselves from the fate of the Balkans, why did they agree to take over a stronger degree of responsibility for regional co-operation? These questions will lead the ensuing analysis of the domestic incentives and the most immediate context for the transition from the SP to the RCC and the process-tracing of the negotiations that led to the inauguration of the RCC in 2008.

Context and domestic incentives – reform rather than revolution

The transformation of the SP into the RCC was not accompanied by any obvious 'critical juncture' that had suddenly opened room for debate on the future of (externally-induced) regional cooperation in the Western Balkans. Calls – and outright pressure – to reform the SP had been mounting almost since its very creation. In most cases, these calls did not come from within the region, but rather from the international community.

Criticism began already at the very start of the SP with the EU's own difficulties to accommodate the Pact in its toolbox for the Western Balkans[259] and continued in 2002, when it became obvious that its "quick start projects" – large investments, mostly in infrastructure – lacked a strategic vision for the region [Koessler 2010: 19–20; Kühne 2010: 245; #14, former senior official, Council; #38, former senior official, Stability Pact]. From this moment on, the SP was asked to produce reports on its "complementarity to the SAP" (e.g. Special Co-Ordinator of the Stability Pact for South Eastern Europe 2010b) and its yearly reports began to list the "state of regionalisation" of the numerous initiatives launched under its auspices (e.g. Stability Pact for South-Eastern Europe 2010a: 544–9; 2010c: 582–90).

Such discussions gained further momentum as the Western Balkans became less virulent and a certain "donor fatigue" set in from 2004 on (Kühne 2010: 246; Altmann 2007: 113). Especially large donors outside the EU, namely the US [#38, former senior official, Stability Pact], indicated their will to play a less prominent and less costly role in Western Balkan affairs.[260] This restraint kicked off a rather lengthy debate on how to increase the region's say and its responsibility for its own affairs. This debate started at the Regional Table in Sofia in May 2005 and went on for approximately two years. According to Stability Pact officials involved in the process, the main intention behind increasing 'regional ownership' was to secure the commitment of international donors and to ensure that the countries in the region maintained what had been achieved by the SP so far [Kühne 2010: 247–8; #38, *ibid.*]. Kosovo's unilateral declaration of independence in February 2008 sent shockwaves through the region, but it was certainly not a 'critical juncture' for the reform of the SP – a process that had been almost completed by then.

Much like the lack of an igniting 'critical juncture' also the countries in the region did not see any clear incentive to take up a more active role in regional affairs. While a general openness to play a stronger role was voiced by the governments in the region, for example at SEECP meetings (Bechev 2011: 140–1), things became more complicated the

[259] See pages 248ff. on section 7.2.1.

[260] One senior official of the SP interviewed went as far as saying that it was the Commission's rejection of the SP as a CFSP instrument that was not under "their control" that drove the discussions to transform the SP [#72, former senior official, SP].

more specific they turned. Some of the countries remained hesitant to regional cooperation processes at all and had difficulties to sell a stronger engagement to their populations, Croatia being once more the case in point [#59, senior official, Croatian MFA; #38, former senior official of the SP].[261] All of them feared that the EU and the international community would disengage itself from the region, in some cases the suspicions of a 'placebo' for EU accession mentioned already in the CEFTA case study made the rounds.[262] Once these worries had been countered by the EU politically by reasserting the connection of Balkan cooperation and EU accession and also by showing its continued financial commitment to regional cooperation, several states in the region fought to host the seat of the RCC or even to increase their contribution to the budget in order to show their commitment (Kühne 2010: 251).

Summing up our assessment of the context and domestic incentives, we can see that the reform of the SP was accompanied by a gradual debate that went on for years rather than by any sudden critical juncture. As most matters in Western Balkan co-operation, even its transfer to a stronger regional ownership was launched from outside. None of the countries felt a special urge to shoulder a stronger responsibility, some were even openly opposed. This scepticism was rooted in fears that the international community and especially the EU would abandon the region to its fate. As soon as these fears were largely dispelled, the Western Balkan states saw 'regional ownership' as a way to position themselves as front-runners of regional cooperation.

In light of this context, the ensuing process-tracing will concentrate on how the EU managed to overcome this initial scepticism in the region. It will analyse the negotiations that began in mid-2005 and ran until early 2008, surveying which models and ideas shaped the discussions. The provenance and authorship of these ideas will also show who played the leading role in the transformation of the SP into the RCC.

From Sofia to Brussels and back

The formal debate to increase Western Balkan responsibility for regional cooperation started at the SP's Regional Table in Sofia in May 2005 (Stability Pact for South-Eastern Europe 2005b) and went on for approximately two years, until the Heads of State and

[261] Croatia had only participated in a SEECP meeting for the first time in 2002, marking a considerable step in its rapprochement with the region Bechev(2011: 141).
[262] See pages 268ff. above.

Government of the SEECP endorsed the statute of the RCC in May 2007 (Heads of State and Government of the SEECP 2007: 2). A final meeting of the Regional Table in February 2008, again in Sofia, marked the formal inauguration of the RCC. Over the course of the two years of substantive negotiations, different models and ideas were discussed in the region, among participants of the SP and between the region and the EU. This section will analyse who shaped these models, where the ideas came from and whether and how these were adapted to the local needs and interests.

In light of the fact that the discussions were initiated from outside the region, we expect that those diffusion mechanisms in which the thick of the initiative lies with the EU are most likely to have played a role. We will therefore assess the likeliness of assistance (H1b), conditionality (H1a), and persuasion (H3) before having a closer look at lesson-drawing (H2) and emulation (H4).

Calming the nerves – EU assistance as a sign of commitment

Reports of the negotiations and interviews conducted with officials participating in them reveal the suspicion of many in the region that increased 'regional ownership' was just code for a diminished engagement of the international community and the EU in particular in Western Balkan affairs. For several governments in the region, the continued assurance of EU support for regional cooperation became important to dispel the fears that Brussels was preparing to disengage from the region [#59, senior official, Croatian MFA; Rotta 2008: 67; Kühne 2010: 248; Altmann 2007: 113]. It is also notable that, in the negotiations, the financial commitment from the EU and the international community preceded that of the region itself (European Commission and Stability Pact for South-Eastern Europe 2006: 3). While this commitment was an important factor to enable and support the transformation of the SP into the RCC, EU assistance was never reported as a *trigger* for institutional change. This assurance does therefore not qualify as an indicator for the impact of EU assistance on institutional change. If we move to the second possible indicator for assistance – the relevance ascribed to EU assistance when it comes to the design of the institution – we indeed find evidence that highlights that EU patterns and proposals played a decisive role in the discussions regarding the future of the SP (Rotta 2008: 67; Kühne 2010: 250; Altmann 2007: 114), but there is no indication that this influence was related to

EU assistance in terms of funding or the provision of any other kind of support and only individual participants in the discussions mention that the Commission provided technical expertise (Altmann 2007: 113). In light of this evidence we assess this second indicator as 'moderate'. In fact, the evidence collected from the negotiations rather points at a pondering of different options more consistent with lesson-drawing than with assistance.[263] The RCC is still in place nowadays, but it is difficult to assess this duration of institutional change as the result of "EU assistance" as required by our third indicator. We therefore assess this indicator as 'none'. In sum, and as reflected in table 7.10 below, we see that EU assistance had a moderate impact on the actual institutional change from the SP to the RCC. Instead of being a *trigger* for institutional change, EU assistance acted rather as foundation for the whole process – or as put by a senior official involved in the reform: "if the EU had reduced its funding, this would have had a severe impact" [#76, senior official, Serbian MFA]. While this qualifies as a moderate impact in terms of our assessment model, it is also obvious that such a situation granted the EU a large degree of potential influence that it could command if needed.

Impact of assistance on the transformation of the SP into the RCC

Indicators (units of assessment in *italics*)	**Score**
emphasis of explicit mentions of EU assistance as a trigger for institutional change in **speeches, statements, documents** or in **interviews** with EU counterparts.	*0*
relevance of EU assistance in the design of institutional change as reflected in **speeches, statements, documents** or in **interviews** with EU counterparts.	*1*
duration of institutional change created with EU assistance as reflected by **documents** from and in **interviews** with EU counterparts.	*0*
Impact of assistance scores as none (0) – moderate (1-3) – substantial (4-6)	**1** **Moderate**
categorisation of *emphasis*, *relevance* and *duration* as none – moderate – substantial with 'none' implying that no manifestation was found.	

Table 7.10: Assistance in the transformation of the SP into the RCC

Conditionality

In its aim to steadily transfer ownership and responsibility for the SP and its activities to the region, the EU may have used conditionality to overcome the initial scepticism of the local governments. Interestingly enough, while it was clear to every participant in the region that no result of the reform could be successful that was completely against the interests of the EU, we couldn't find any evidence supporting an impact of EU conditionality on the process,

[263] The influence of lesson-drawing is analysed below from p. 303 on.

such as for instance references to EU assessments or to expected improvements in functionally different areas. We therefore assess the impact of conditionality as 'none'. Instead, our evidence suggests that the EU influenced the reform process more indirectly, by feeding its own views into the discussions through non-papers (European Commission and Stability Pact for South-Eastern Europe 2006), by liaising with the members of the Senior Review Group that the Stability Pact established to develop a proposal for its reform [#72, senior official, SP; Altmann 2007: 114] and not least by having a role in the appointment of this Group (Kühne 2010: 248–9).

Talking to a small audience – EU persuasion

The time the SP and its donors dedicated to discussing, finding and agreeing to a new institution for the Western Balkans would be consistent with a persuasion process as a result of which the countries in the region would have given up their scepticism to 'regional ownership'. The transformation of the SP remained on the bilateral agenda between the EU and the countries in the region for more than two years, from the beginning of 2005 to the agreement on the future statute of the RCC in May 2007 (Stability Pact for South-Eastern Europe 2010e). In the same vein, our previous assessment has already shown that this transformation was clearly put on the mutual agenda by the EU (itself reacting to the aforementioned 'donor fatigue') and not by the region. Quite obviously, the EU's experience in regional cooperation was also much richer than that of the Western Balkans. We therefore assess these three indicators for persuasion – EU predominance in putting the reform on the agenda, its duration there and the significance of the difference in experience – as 'substantial'.

In light of these first confirmative hints at persuasion, it makes sense to have a closer look at the negotiations that shaped the reform of the SP. Once this process had been launched in May 2005 with a first 'food-for-thought paper" from the Special Co-Ordinator and a debate at the Regional Table in Sofia, it was decided to appoint a Senior Review Group of experts that would develop specific proposals on how to increase 'regional ownership' (Kühne 2010: 248–9). The appointment of this group took place in close coordination with EU Enlargement Commissioner Olli Rehn, as the SP repeatedly mentioned in any document and at any occasion possible (Rusi *et al.* 2010: 637; Stability

Pact 2010b: 528[8][2005]). According to an official involved in the process, this insistence was meant to show the countries in the region that the EU remained committed to the process [#72, senior SP official], even at the cost of devaluating the intended ownership signal. A member of the Review Group recalls that having the EU's support upfront also made it easier to later ensure the support of the rest of the international community (Altmann 2007: 113). The group consisted of four experts from the region and from outside, all known for their openness and support for regional cooperation and reconciliation.[264] In terms of our assessment of persuasion, the appointment of this group could be termed as EU support for an epistemic community or as a selective empowerment of political actors that are in favour of institutional change. A closer look though calls this into question: neither was the political influence of the two persons from the region strong enough to change the preferences of their governments nor could this small, externally nominated group be seen as a locally rooted epistemic community. We therefore rank both indicators as 'none'. It seems much more plausible that Serbian and Croatian senior officials were included in the group to publicly show that the region was involved and to have the two largest governments on board.

While the 'food-for-thought'-paper from Special Co-Ordinator Busek had hinted at creating a decentralised network of regional centres that would take care of one initiative each (Special Co-Ordinator of the Stability Pact for South Eastern Europe 2010a: 2–4), discussions in the Review Group were broader and looked at different possible solutions. Among the options discussed were the aforementioned network of regional centres, sectoral cooperation agreements, or a fully-fledged regional organisation for the Western Balkans [Altmann 2008: 114, Kühne 2010: 249, #72, *ibid.*].

These discussions took place among experts, in a confidential and relatively unpoliticised setting. This is even more the case for the negotiations between the SP, the EU and individual governments in region. These became necessary on some features of the design that were disputed, e.g. on the seat of the future organisation or the involvement of UNMIK/Kosovo [#72, *ibid.*]. The Regional Table, the highest and arguably most public forum

[264] Its members were Alpo Rusi, Finnish diplomat and former Deputy Special Coordinator of the SP, former Foreign Minister of the FR Yugoslavia Goran Svilanović, Croatia's Negotiator for the EU accession Vladimir Drobnjak and Franz-Lothar Altmann from the German think tank Stiftung Wissenschaft und Politik.

of the SP, was only presented with carefully pre-agreed concepts that therefore sparked only limited discussions. We therefore assess interaction in unpoliticised settings as 'yes'.

The RCC was soon put to a test with Kosovo's unilateral declaration of independence in February 2008, just a few weeks before the RCC was officially inaugurated. In addition to Serbia, also other RCC participants declined to recognise Kosovo as an independent state, Albania recognised it immediately, while Montenegro and Macedonia followed at the end of 2008. Bosnia-Herzegovina failed to agree on a common position (Bechev 2011: 146–7). While the Kosovo dispute blocked a number of bilateral relations and significantly slowed down regional cooperation, it never brought the RCC to a complete halt [#34, former official, EU Office in Kosovo; #33, Commission official; #69, senior official, Serbian MFA]. According to several officials from the region, the incentives to participate in the RCC – both in political and in financial terms – were higher than the political effect that could have been achieved by effectively blocking its work [#69, *ibid*.; #49, official, Serbian MFA]. This sign of enduring commitment to the RCC was maintained until a diplomatic solution was found to allow Kosovo to participate in the RCC as a member.[265] This assurance to the RCC does also become clear in the firm financial pledge of the region to its operation, with the members from the Western Balkans having regularly paid their contributions almost without any exceptions. Still, this commitment has never reached the level once aimed at, as the RCC remains an organisation largely financed by the EU.[266] The once agreed-upon gradual take-over of the contributions by the countries in the region remains open [#33, official, DG ELARG; Rotta 2008: 67]. This is even more significant if one takes into account that the RCC is an instrument to tap significant sources of EU funding for the region. It lies in the eye of the beholder, whether this low financial 'ownership' is interpreted as a normal consequence of the economic crisis in the region or a sign for the transactional understanding of regional cooperation mentioned in chapter 7.1. In light of this evidence, we assess the duration of behaviour consistent with the institutional change as 'moderate'.

[265] Kosovo's participation as a full member of the RCC was agreed in 2013 as a result of the EU-mediated Belgrade-Pristina dialogue for a normalisation of relations. Up to then, it continued to be represented by UNMIK (Regional Cooperation Council 2013).

[266] In 2017, the share of the RCC's budget coming from the Western Balkans amounted to 10 % and that provided by the European Commission and bilateral EU donors to 70 % (Regional Cooperation Council 2018: 34).

Finally, the transformation of the SP into the RCC and the discussion on increased 'regional ownership' did enter public debates in the region, albeit often in connection to the issue of Kosovo's participation in regional meetings [#34, *ibid.*; #35, former official, SP; #69, senior official, Serbian MFA]. This particular indicator is therefore rated as 'no'. In sum, we can conclude that EU persuasion had a 'moderate' impact on the region's willingness to embrace the motto of 'regional ownership' and the transformation of the SP into the RCC. The respective assessments are summarised below.

Impact of persuasion on the transformation of the SP into the RCC

Indicators (units of assessment in *italics*)	**Score**
predominance of the EU in **setting items related to institutional change** on the bilateral agenda as observed in **meeting agendas** and **interviews** with participants of meetings.	*2*
significance of EU **support to epistemic communities** that pursue an agenda oriented towards institutional change.	*0*
presence of **selective empowerment of political actors** that pursue an agenda oriented towards institutional change.	*0*
duration of a topic related to institutional change on the **bilateral agenda**.	*2*
significance of the **difference in experience** in regional cooperation / integration between EU and target.	*2*
presence of interaction in relatively unpoliticised and **in-camera settings**.	*1*
duration of behaviour by the target that is consistent with the institutional change, also across different contexts as observed in **political decisions** and commitment to the institutional change (e.g. in terms of **funding** and relevance in **policy-making**).	*1*
absence of the changed preferences from public debate, coupled with their *presence* in **interviews** with policy-makers.	*0*
Impact of persuasion scores as none (0-6) – moderate (7-11) – substantial (12-13)	**8** **Moderate**
categorisation of *presence* and *absence* as yes (1) – no (0). categorisation of *predominance, significance* and *duration* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 7.11: Persuasion in the transformation of the SP into the RCC

Serious thinking, but no initiative –lesson-drawing

While the push for institutional reform clearly came from outside the region, accounts of the discussions and negotiations in the Senior Review Group and among the governments of the Western Balkans and the EU do also point at a possible lesson-drawing process. In this process, the regional actors would have tried to shape the outcome of a reform that they could not avert.

As mentioned in the analysis of persuasion above, substantive discussions took place in the Senior Review Group. These were followed by consultations of the group with the European Commission, the governments of the region, selected EU governments and

the US between September 2005 and March 2006 (Kühne 2010: 249). Several persons involved or closely following the group describe its work as being characterised by "serious debates" [#76, senior official, Serbian MFA; in the same vein: #72, senior official, SP; Kühne 2010: 248–51; Altmann 2007: 114–5]. These discussions circled around the geographic scope of the group, the inclusion of Turkey, the role of the SEECP and about different institutional blueprints [#76, *ibid.; #72, ibid.;* Rusi *et al.* 2010: 639–640; 642-643]. The debate on institutional models included the EU-Western Balkans Forum (a regular ministerial meeting established by the Thessaloniki Summit in 2003), SEECP and the Council of Baltic Sea States (CBSS) among the possible templates (Altmann 2007: 114; Rusi *et al.* 2006: 10; 2010: 635). We can deduct from these discussions that a well-founded analysis from experts took place, even if only within the Review Group and not as a sign of a widespread search for different options and solutions. Accordingly, we assess the number of analyses conducted by experts as 'moderate'.

The accounts of the discussions and the proposals included in the 'food-for-thought paper' of the Special Co-Ordinator, the reports of the Review Group and an April 2006 non-paper from the SP and the Commission also show that the group and the different stakeholders it engaged with discussed a number of institutional options and the adaptation of foreign templates to the needs of the Western Balkans (Special Co-Ordinator of the Stability Pact for South Eastern Europe 2010a; European Commission and Stability Pact for South-Eastern Europe 2006; Rusi *et al.* 2010[2005]; Rusi *et al.* 2006). While one interviewee from the Serbian Ministry of Foreign Affairs highlighted the role of the regional governments in shaping these discussions [#76, *ibid.*], several accounts from the members of the Review Group and SP officials also show that the EU and namely the Commission intervened in the discussions at decisive points – sometimes dismissing proposals made by the group [Altmann 2007: 114; Kühne 2010: 249; #33, official, DG ELARG]. While EU-related templates played a significant role as a reference for further discussions, the final result of these discussions – the RCC – cannot be seen as the adaptation of any of those templates. In light of this, we assess the adaptation of foreign templates as 'no'.

Analysing the further indicators for lesson-drawing, we find that EU incentives connected to the transformation of the SP were clearly very relevant in the process. The accounts reflected in the paragraphs above show that the process was not only driven from

outside the region, but also that governments in the region were aware that the reform was connected to the continued provision of funding for regional cooperation and to the bilateral SAP (and hence, to substantial funding and political recognition). We therefore assess this particular indicator as 'substantial', further diminishing the likeliness of lesson-drawing. It also becomes apparent that the degree of initiative of the Western Balkans was limited in the process to reform the SP. Participants in the discussions highlight that most substantive proposals came from the EU and the European Commission, which "participated fully in the definition of the new structure, supporting the process" and highlighting "their need to have a single interlocutor in SEE [South-Eastern Europe, *M.H.S.*] on all regional cooperation matters." [Rotta 2008: 67, in the same vein: Altmann 2007: 113; Kühne 2010: 248–9; #72, senior official, SP]. A stronger degree of initiative from within the region emerged only later, when it came to decide upon the contributions to the RCC's secretariat, when individual governments sought to overtake their neighbours by paying more (Kühne 2010: 251). We therefore assess the predominance of initiative by the Western Balkans as ‚none'.

As a last possible indicator for lesson-drawing, we investigated whether the transformation of the SP had been justified mainly with functional arguments. Indeed, governments from the Western Balkans resorted to functional reasoning when it came to explaining the reform and the region's increased role in the newly-created RCC – much along the expectations of a lesson-drawing process. Two constraints apply though: firstly, the resonance of the SP's transformation was limited to well-informed circles of policy-makers and experts and justifications are relatively difficult to find. Rather, the impression dominated that the region had accompanied a process that had come upon it [#76, *ibid.*; #72, *ibid.*; #69, senior official in charge of regional cooperation policies, Serbian MFA]. Secondly, justifications of the change were always connected to the region's European integration [#69, *ibid.*; #59, senior official, Croatian MFA; #75, former Macedonian national coordinator for the SP]. In light of this evidence, we assess the predominance of functional justifications for the reform as 'moderate'.

Looking at all indicators together, we can conclude that drawing lessons from the EU's experience had a limited impact on the transformation of the SP into the RCC, with our overall assessment scoring two out of nine possible points. Different institutional templates related to the EU played a role in the discussions, but not as proposals coming from within

the region. The initiative in the discussions remained with the external actors – and most prominently with the EU.

Impact of lesson-drawing on the transformation of the SP into the RCC	
Indicators (units of assessment in *italics*)	**Score**
relevance of EU incentives specifically directed at the observed institutional change as evidenced in **documents**, **interviews** with actors from the EU and its counterpart.	*0*
predominance of initiative by the EU's counterpart as evidenced in documented or reported **requests**, **public discussions.**	*0*
number of analyses and studies by experts, officials or policy-makers commissioned or authored by the EU's counterpart as evidenced in **documents** or **interviews.**	*1*
adaptation of foreign templates to local conditions as a result of functional considerations, manifested in technical **documents** or **interviews**.	*0*
predominance of justifications of the institutional change with functional reasons and/or weighting of alternative policies evidenced in **official documents, public statements or interviews.**	*1*
Impact of lesson-drawing scores as none (0) – moderate (1-5) – substantial (6-9)	**2** **Moderate**
categorisation of *adaptation* as yes (1) – no (0). categorisation of *predominance* and *number* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found. categorisation of *relevance* as none (2) – moderate (1) – substantial (0).	

Table 7.12: Lesson-drawing in the transformation of the SP into the RCC

Faking acquiescence to the imposition? - Emulation

The considerable external pressure resting on the Western Balkans and the region's limited interest in taking over a stronger role for regional cooperation make it plausible that emulation may have played a role in the evolution of the SP into the RCC. In line with the expectations of a legitimacy-seeking behaviour, emulating their support to a reform and following the institutional recipe promoted by the EU could have increased the reputation and credibility of the governments in the region while limiting the costs attached to it in terms of responsibility, popularity, funding, etc.

Even if such emulation seems possible at first sight, most evidence indicates that it was not a driving force behind the region's acquiescence to the reform. First and most importantly, we do not find that the Western Balkan governments referred to the success of an RCC-like institution elsewhere. While the EU context is almost always mentioned when praising the RCC, this discourse is of a mostly instrumental nature – i.e. highlighting

the RCC as an EU requirement or a stepping stone towards membership – rather than trying to profit from an appeal of modernity or Europeanness. Neither are any comparisons drawn to other cases of regional cooperation in a context of EU accession or approximation – the Visegrád Group or others might come to mind here. The lack of such references already hints at the lack of an element central to emulation: the imitation of EU examples. Consequently, we rate this particular indicator as 'no'.

The now ten years since the reform of the SP provide us with many examples to assess that the RCC is being applied in practice and used by the countries of the region [e.g. RCC 2012; Commission 2010e: 19–20; #32, senior official, DG ELARG; #33, official, DG ELARG; #60, senior official, Croatian Ministry of Regional Development and EU Funds]. Quite clearly, the significance of this assessment is limited by a number of factors: the majority of the funds for the RCC come from the EU, it remains an important channel for technical assistance and the engagement of the countries in the RCC is regularly assessed to judge the countries' fitness for accession. Still, it is clear that we do not observe the adoption of an EU-promoted institutional change without its application in practice. It is also out of question that there is a functional need for regional cooperation in the Western Balkans, with fields such as transport, communication or energy transmission being just the most obvious ones. But was there a functional need for the institutional change from the SP to the RCC? Our analysis of the context and the interests of the different actors showed that the impulse came from outside. This is certainly not a functional reason in the sense implied by our hypothesis, which focuses on whether an institutional change is fit for its purpose. And the SP might well have continued to perform its function of fostering regional cooperation if it had continued to receive external support. We therefore rate the indicator 'absence of a functional motivation for the institutional change 'as 'yes'.

As mentioned above during the analysis of lesson-drawing, the discussion and negotiation process that led to the RCC considered different institutional options and templates to reform the SP.[267] These discussions did not reveal any more adequate alternative to the model proposed nor does it seems plausible that any such model existed and was overlooked for the sake of gaining external appraisal. In addition, the accounts of the discussions show that the potential effectiveness of the RCC was at least assessed ex-ante [#72, senior official, SP; #33, official, DG ELARG; Altmann 2007: 114–5]. In light of this

[267] See p. 303f.

evidence, we assess the two respective indicators as 'no'. Finally, we can observe that the goals agreed upon for the RCC during its creation were indeed relatively ambiguous, with the statute of the organisation laying out six broad fields of engagement[268] and its first work programme remaining rather unspecific, full of coordination, liaison, review and preparation tasks (RCC 2008). While these goals and performance indicators have become more specific over time, they can be assessed as 'ambiguous' for these first years of the RCC.

In sum, all analysed indicators except the absence of a clear functional motivation for the specific institutional design of the RCC and its ambiguous goals at its beginning dispel the notion that the Western Balkan governments might have simulated their acquiescence to the reform of the SP. It is also important to highlight though that the reform process was not driven from within the region – as our previous analyses have shown – and that the region's options to oppose to it were limited in any case. The overall assessment for the emulation hypothesis is summarised in the table below.

Impact of emulation on the transformation of the SP into the RCC

Indicators (units of assessment in *italics*)	**Score**
predominance of **prominent references** to the success of the adopted institutional change elsewhere	*0*
presence of functionally **more adequate and known alternatives** to the change adopted	*0*
adoption of EU-promoted institutional change **without its application in practice**	*0*
adoption of institutions **without a thorough assessment** of their effectiveness	*0*
absence of **a functional motivation** for the institutional change	*1*
presence of **ambiguous goals and performance indicators**	*1*
Impact of emulation scores as none (0-3) – moderate (4-5) –substantial (6-7)	**2** **None**
categorisation of *adoption*, *absence* and *presence* as yes (1) – no (0). categorisation of *predominance* as none (0) – moderate (1) – substantial (2) with 'none' implying that no manifestation was found.	

Table 7.13: Emulation in the transformation of the SP into the RCC

[268] Economic and Social Development, Infrastructure, Justice and Home Affairs, Security Co-operation, Building Human Capital, Parliamentary Cooperation (Stability Pact for South-Eastern Europe 2010e [2007]: 663).

Synthesis

The creation of the RCC in 2008 tried to transform an externally imposed framework for regional cooperation into an institution 'owned' by the Western Balkans. The push for this transformation clearly came from Brussels and Washington rather than from Zagreb or Belgrade. The region itself looked at the reform with a mixture of scepticism and concern, afraid that the end of the SP was just the beginning of a retreat of the international community or even a placebo for European integration. The analysis above assessed in how far different paths of EU influence played a role in moving the region towards acceptance, where the ideas for the reform came from and whether these were adapted to local needs and interests.

A 'moderate' institutional chance in terms of our assessment, the SP's transformation into the RCC saw changes in the involvement of the Western Balkan governments and placed the institution under the political leadership of the SEECP. While the governments of the region gained in decision-making power, the EU retained considerable veto rights, a large degree of initiative and continued to provide the vast majority of the funds for the institution and for its projects. It is interesting to see that institutional change was not preceded by any significant critical juncture – unlike in all previous cases. The fact that the impulse came from outside may hold one explanation for this. The countries in the region had no other need to reform the SP but the wish of the international community.

An overall look at our process-tracing and at the mechanisms analysed shows that the EU had a just moderate impact on moving the governments of the region to accept and participate in the transformation of the RCC. This is quite surprising, since we also saw that the countries had no local incentives or motivation to pursue the reform. But, as expected, we see that the mechanisms with the strongest impact are those that are externally driven – persuasion and assistance. Overall, we found evidence for an impact of assistance, persuasion and lesson-drawing and no evidence for conditionality and emulation. Out of all the mechanisms analysed, persuasion was the strongest.

The (lack of a) role of conditionality is certainly especially intriguing. While we found no specific evidence for any of our conditionality indicators, the analysis of the context and the lack of motivation of the governments in the region indicate that they only

followed the EU's will to reform the SP to avoid the costs imposed by the EU (and possibly by others as well) – a situation that comes very close to our conditionality hypothesis[269].

In sum, this analysis ascribes an only moderate direct impact of the EU on the willingness of the Western Balkan states to accept the transformation of the SP into the RCC. Externally driven as the process was, it remains nonetheless clear that the states would not have participated in the process without an impulse from Brussels.

Conclusion

Our analysis of the EU's region-building activities towards the Western Balkans and the assessment of their impact allow us to answer our first and second sub-research questions with regard to this region. In addition, an overall look at the results of the three case studies contributes to a broader picture on the interrelation between institutional change, EU instruments and the impact of different paths of EU influence.

The assessment of our independent variable, use of EU instruments to promote regional cooperation, in sub-chapter 7.2 led us to answer our first sub-research question – What instruments does the EU employ to promote regional cooperation? - with the conclusion that *the EU used all instruments at its disposal to encourage regional cooperation in the Western Balkans.* Furthermore, we saw that the EU's engagement is very strong across all three policy fields distinguished in our independent variable: technical assistance and cooperation, trade and economic relations, and political relations. The scores for the individual instruments are summarised in the table below, arranged according to the intensity of their use:

IV: Use of EU instruments / Western Balkans	
Technical assistance and cooperation	Strong (16/16)
Trade and economic relations	Strong (16/16)
Political relations	Strong (15/16)

Table 7.14: Overview EU instruments towards the Western Balkans

[269] I.e. "H1a: if the EU applies its instruments to promote regional cooperation, the EU's interlocutor pursues institutional change to avoid the EU-imposed costs of not doing so."

Looking at the results of our three case studies allows us to reply to our second sub-research question 'To what extent is the EU able to influence the emergence and development of regional cooperation?' for the relationship between the Western Balkans and the EU. The table below sums up all the assessments for the dependent variable 'institutional change' and for the causal mechanisms of all the case studies.

Case study	DV: institutional change	CM: Paths of EU influence (in grey: not significant scores)
CEFTA 2006	3 Substantial	Conditionality: substantial (7/10) Assistance: moderate (3/6)
Stability Pact	3 Substantial	Conditionality: moderate (4/10)
RCC	2 Moderate	Persuasion: moderate (8/13) Lesson-drawing: moderate (2/9) Assistance: moderate (1/6) Emulation: none (1/7) Conditionality: none

Table 7.15: Overview of the case study results EU-Western Balkans

EU influence on regional cooperation in the Western Balkans – SRQ2

First of all, we observe that all three cases of institutional change have been influenced by the EU. This implies that the EU's attempts to promote and shape regional cooperation in the Western Balkans can be seen as broadly successful. There are no significant differences across the two fields – market integration and institutions for regional cooperation – analysed, although it is important to note that we only analysed one case in the first field.

Utility and legitimacy – the role of different paths of EU influence

If we look closer at the different paths of EU influence we see that the utility-driven mechanisms (conditionality, assistance and lesson-drawing) are predominant. There is only one case in which a legitimacy-driven mechanism plays any role at all. Interestingly, in that particular case (the transformation of the SP into the RCC) the legitimacy-driven mechanism – persuasion – is the most relevant of the various mechanisms at play. Whether this predominant role of utility-driven mechanisms is surprising or not remains a matter for discussion. On one hand, the analysis of the scope conditions showed that the Western Balkans are highly dependent on external (and mainly European) legitimisation – even more so in the context of accession. This makes the limited role of legitimacy-driven mechanisms seem strange at first sight. On the other hand, a strong role for utility-driven mechanisms is

only consistent with the extreme power asymmetries between the EU and the Western Balkans in its economic links. In the same line, the discourse of instrumentality that prevails in the Western Balkans when it comes to regional cooperation is also consistent with a stronger role for utility-driven paths of EU influence. As mentioned in the analysis of the regional context and scope conditions, the Western Balkans are a region that is drawn together by circumstances and shared challenges rather than by fundamentals and convictions. In this setting, it may seem only natural that the legitimating appeal of cooperating within the region is only limited, regardless of its 'Europeanness'.

The case study in which persuasion plays a relatively prominent role can also be seen as a singular case in the sense that the region could not take any binary 'yes or no' decision but could only influence its degree of acceptance or acquiescence to a process largely driven from outside. Such an 'accommodation strategy' may be much more open for discussion and conviction processes – that always come with modifications of original ideas - than a binary decision whether or not to create a specific institution.

The reach and limits of conditionality

Taking into account that we have two cases in which we see a 'substantial' institutional change and one in which that change is only 'moderate', it is worth discussing whether this variation somehow relates to the different mechanisms of EU influence at play. Unlike in the Mercosur cases studied before, those cases with a higher degree of institutional change are not characterised by a higher degree of own initiative from the region. Quite to the opposite, conditionality – the mechanism where the sender is most active – is the most relevant here. It has an impact in both cases of 'substantial' institutional change (CEFTA, SP) and does not play any role in the 'moderate' case (RCC). This observation is in line with the relatively low motivation of the countries in the region and also suggests that EU initiative and its strong leverage upon the region were decisive here.

Looking more closely into the impact of conditionality, further interesting traits emerge. Despite being the region in the world where EU leverage is arguably the strongest, especially the CEFTA2006 case shows that EU conditionality was modified by local pressures. The original objective of the EU (a Western Balkans Free Trade Area) had to be modified to accommodate the strong opposition of the region to anything that resembled

former Yugoslavia. Similarly, the impact of conditionality in pushing Croatia to join the SP was lower than we would have initially expected. We see that even under the possibly best framework conditions, the impact of EU conditionality is limited and that it may be difficult even to overcome opposing social scope conditions - such as the Croatian identity struggle between *Mitteleuropa* and the Balkans.

In addition to the surprisingly low impact of conditionality in our first two cases, our third case – the transformation of the SP into the RCC - raises a further issue. In this case, conditionality does not have any measurable impact at all. At the same time, the regional context and the lack of motivation of the local governments to follow the EU's proposals indicate that they only followed them to avoid the costs imposed by the EU (and possibly by others as well). This might hint at the role of a "shadow of conditionality". Adapting a term coined by Adrianne Héritier and Dirk Lehmkuhl in the analysis of EU governance (Héritier and Lehmkuhl 2008; cf. Panke and Haubrich-Seco 2016: 502), a "shadow of conditionality" would describe a situation in which all actors are aware that EU *could* apply conditionality to ensure compliance – and this knowledge makes it unnecessary to actually do so. This and further conclusions of our case-study analyses will now be examined from a cross-case perspective in the ensuing chapter eight and discussed for theoretical and practical implications in chapter nine.

8 Cross-case analysis

This chapter conducts an analysis across the seven cases studied for the EU's relationships with Mercosur and the Western Balkans. This cross-case perspective adds a second layer of analysis above the individual case studies and across the two regions. It takes two different angles. In the following section of this chapter (8.1), the results of the case studies are firstly aggregated and compared. This synthesis will contribute to replying to SRQ1 and SRQ2 beyond the two regions. In the ensuing section 8.2, we survey whether and how variation in the scope conditions and the regional context affects the EU's impact on regional cooperation beyond its borders. Drawing from this variation, the cross-case analysis contributes to answer the 'under what conditions' part of our research question, namely: 'how does EU leverage influence its success in promoting regional cooperation?' (SRQ3). Taking this cross-case perspective allows us to investigate three kinds of potential relationships. It will allow us to relate institutional change in the target regions to the manifestations of the independent variable, and the causal chain in between to the prevalence of specific causal mechanisms and to the scope conditions encountered. Beyond its empirical relevance, this cross-case perspective also carries a theoretical importance as it contributes to clarify the conditions under which our hypotheses tested in the process-tracing analysis are generalizable (cf. Bennett and Checkel 2015: 16).

8.1 Cross-case comparison

8.1.1 EU instruments – a cross-case perspective on SRQ1

Use of EU instruments – Variation across the regions

A look at our seven case studies gives us a more comprehensive and informative view at the instruments employed by the EU to promote regional cooperation beyond its borders. If we draw together the evidence from the analysis of the EU's engagement towards the two regions, we see that encouraging regional cooperation runs through most policy fields and that the EU uses numerous instruments to promote its objective. We observe a stronger propensity to use instruments in the fields of technical assistance and development cooperation (with an average score of 14/16 for the two regions) and trade

(13,5/16) than political relations (12/16).[270] In light of the EU's competences, this emphasis on 'technical' over traditionally 'political' instruments is very plausible. It reflects fields where the EU has exclusive or parallel competences and therefore higher degrees of autonomy from its member states and also a comparative advantage against almost any other global actor.

The EU's competences – but certainly more its different exposure to the Southern Cone and the Western Balkans - are also explanations for the use of different instruments towards the two regions. While the EU did employ political instruments (e.g. bilateral negotiations, bi-regional dialogues, etc.) towards Mercosur only to a 'medium' degree (9/16), its political engagement towards the Western Balkans has been (16/16) and continues to be strong. In the Western Balkans, the EU's activities to encourage regional cooperation are backed by the arguably strongest incentive it can offer: membership. Despite these differences, we observe that in both regions the EU's focus lies on creating regional markets and building regional institutions to sustain regional cooperation and integration over time – even if the thematic scope of institution-building is much broader in the Western Balkans, ranging from refugee resettlement to arms control. This focus may also be explained by the EU's competences and its comparative advantage as a regional market and institution. On the basis of this variation in the IV, the following paragraphs assess to what extent the degree of institutional change is associated with the use of EU instruments.

On the correlation between institutional change and EU instruments

If its impact on regional cooperation beyond its borders is to be something that the EU can discretely influence or even manage, we would expect that a higher value for our IV correlates linearly with higher degrees of institutional change. In that case, the EU would just need to increase the use of its instruments to have a stronger impact on institutional change elsewhere. Admittedly, this would paint a rather simplistic picture of EU external

[270] It is important to note here that the aggregation of the values of our IV serves just as a heuristic device to compare the results of the case studies. Our diverse-case selection of two relationships with most variation along the independent variable gives us a high degree of confidence that we cover the widest range of values possible along the IV 'use of EU instruments to promote regional cooperation', but it may also distort the averages formed above because we do not cover the whole internal variation.

action, leaving aside local circumstances, different starting conditions and the role of our scope conditions.

To examine this particular expectation we aggregate the values for the IV and the DV in our two regions. This serves as an approximation to quickly assess if there is a linear relationship between the two. For the EU-Mercosur relationship the aggregation of our three scores for the IV leads to an average of 10,6 (out of 16 maximum points). If we average all the scores for institutional change, we obtain a value of 3,25 for our DVs (out of 4). For the EU-Western Balkans relationship, our IV averages 15,6 reflecting the very high intensity across all three policy fields analysed. Institutional change, though, averages only 2,6 – a considerably lower score than for the EU-Mercosur cases. We thus see that there is no linear relationship between the IV and the DV that would be stable at a cross-case level. Despite a considerably higher manifestation of our IV in the Western Balkans cases, institutional change is lower than in the Mercosur cases.

Relationship	IV	DV
EU-Mercosur (N=4)	10,6	3,25
EU-Western Balkans (N=3)	15,6	2,6

Table 8.1: Average IV and DV scores for EU-Mercosur and EU-Western Balkans

This result answers one question and poses a few new ones. It first shows that there is no automatic lever that would allow the EU to have a stronger impact just by increasing the use of its instruments. While this relationship may hold within a specific biregional relationship (EU - XY) it does certainly not hold in general. In terms of new questions, the result points at the relevance of further factors. These may be an unobserved degree of specificity or boundedness to each region, a strong relevance of the local conditions (e.g. critical junctures, degrees of statehood, etc.) or the importance of variation in the power asymmetries between the EU and the respective regions. While the first of these factors could only be assessed in a larger-N study[271], the two others will be part of our assessment of the scope conditions in the following sub-chapter 8.2.

[271] A study covering a sufficient number of EU relationships with other regions might average-out region-specific factors.

8.1.2 *EU influence – cross-case perspectives on SRQ2*

Paths of EU influence – Variation across the regions

To gain a bird's view on the EU's influence on the emergence and development of regional cooperation outside the EU we need to focus on the paths of EU influence. These paths cover the causal chain between the EU's action and its effect and therefore allow us to assess "to what extent the EU is able to influence the emergence and development of regional cooperation outside the EU" (SRQ2) also on a cross-case perspective. To confront the incidence of the different causal mechanisms in an ordinal comparison, the tables below rank the mechanisms for the two bi-regional relationships. The first two tables show the ranking for the EU-Mercosur and the EU-Western Balkans relationships, the third one brings this together across regions. They list how often a mechanism was the 1st, 2nd or 3rd most important within its respective case study.

EU – Mercosur: own initiative and utility-driven

CM: path of EU influence	ranked 1st	ranked 2nd	ranked 3rd
Lesson-drawing	3x	1x	
Assistance	1x	1x	
Other mechanisms	not significant		

N= 6 significant causal mechanisms in four case studies
Table 8.2: EU-Mercosur | Ranking of causal mechanisms

We observe that in the EU-Mercosur relationship, lesson-drawing is the most prominent causal mechanism, playing a role in all four case studies analysed. Assistance is the second-most and also the only other relevant path of EU influence in this region. This distribution suggests a strong role for Mercosur since lesson-drawing is clearly a mechanism led by the receiver of EU influence. At the same time, we saw in our analysis that EU assistance was a necessary and enabling condition in the creation of the Mercosur Parliament - in a synergistic combination that we termed 'assisted lesson-drawing'. This shows that, at least in that particular case, EU action and predisposition to support regional integration in Mercosur sparked the initiative to draw lessons from the EU. A clear picture emerges also with regard to the underlying logic of EU influence: all significant mechanisms are utility-driven.

EU – Western Balkans: reluctant and utility-driven

CM: path of EU influence	ranked 1st	ranked 2nd	ranked 3rd
Conditionality	2x		

Persuasion	1x		
Assistance		1x	1x
Lesson-drawing		1x	
Emulation	not significant		

N= 6 significant causal mechanisms in three case studies
Table 8.3: EU-Western Balkans | Ranking of causal mechanisms

A more diverse picture emerges from the EU-Western Balkans relationship. Conditionality is the most prominent causal mechanism here, while the further ranks are quite evenly divided among three other mechanisms: persuasion, assistance and lesson-drawing. This more varied distribution is not only consistent with a relationship in which the EU can draw upon all its external action instruments. It is also consistent with a more proactive role for the EU and the understandable scepticism or even rejection of the states to cooperate with their recent enemies. Quite clearly, five out of the six paths of EU influence that we found are sender-led (conditionality, persuasion and assistance). In the single case in which a mechanism led by the receiver plays a role, its intensity is rather modest (2 out of 9) and it appears in conjunction with a mechanism led clearly by the EU: persuasion. In a similar vein, all significant mechanisms but one (persuasion) are utility-driven ones. This seems consistent with the mentioned transactionality of regional cooperation in the region, but it also raises the question why legitimacy-driven mechanisms do not play a more important role in a region so dependent on external recognition and legitimacy.

Cross-regional

CM: path of EU influence	ranked 1st	ranked 2nd	ranked 3rd
Lesson-drawing	3x	2x	
Conditionality	2x		
Assistance	1x	2x	1x
Persuasion	1x		
Other mechanisms	not significant		

N= 12 significant causal mechanisms in seven case studies
Table 8.4: Cross-regional ranking of causal mechanisms

We now broaden our perspective to the cross-regional level and look at all seven cases in the Western Balkans and Mercosur. Here we observe that utility-driven mechanisms are by far the most relevant ones also at a cross-regional level: eleven out of twelve significant causal mechanisms are utility-driven. Lesson-drawing is the most important mechanism of

all.[272] The general pattern is consistent with the EU's characterisation as an international actor that works with technical rather than political or military means; the strong relevance of lesson-drawing points at the EU's role as a front-runner and at its reputation for regional cooperation. While it is not the most prominent mechanism in the ordinal ranking, the frequency with which assistance plays a role (four out of twelve mechanisms) may point once more at the importance of the EU's proactive initiative in promoting regional cooperation.

The different impact of paths of EU influence

To analyse whether institutional change relates to specific paths of EU influence, we first assess the intensity at which the significant mechanism are at work in each of the cases. We then survey if there are any patterns of causal mechanisms that are especially prominent for substantial and for moderate institutional change. Finally, we assess whether individual mechanisms stand out as being especially relevant and in how far there are any differences between sender- and receiver-led mechanisms.

The varying intensity of paths of EU influence

Our process-tracing found evidence for 12 significant paths of EU influence in the seven cases analysed. To see in how far these mechanisms worked to their maximum extent, we assess and compare their intensity across cases and regions. This will allow us to see if there is any significant variation as to their impact in different cases and regions.

While the mechanisms have different assessment scores, it is possible to compare their intensity by transforming their scores into a percentage based on the maximum score possible for each mechanism.[273] Building on this we can calculate an average score that reflects the intensity of all significant causal mechanisms for one case-study and compare these scores. Table 8.5 below shows these numbers for the seven case studies.

Case	Average intensity of the significant mechanisms
Focem	66,6 %
Macroeconomic convergence	58,3 %
Mercosur Parliament	72,2 %

[272] This holds true even if we factor in that the larger number of EU-Mercosur cases may exacerbate this count because lesson-drawing has an especially prominent role there.
[273] For example, lesson-drawing scores 6 out of 9 possible points in the Focem case, i.e. 66,6 % of its maximum impact.

TPR	77,7%
Average Mercosur	**68,7 %**
CEFTA 2006	60 %
Stability Pact	40 %
RCC	33,4 %
Average Western Balkans	**37,8 %**

Table 8.5: Average intensities of the paths of EU influence

It strikes the eye that the average intensities are much higher for the Mercosur cases (almost 70 %) than for the Western Balkans (below 40 %) with relatively consistent values for all cases in each region. Two reasons may account for this regional variation. On one hand we might be just witnessing a spurious correlation since the two regions are also characterised by different mechanisms and the intensity may correlate with the mechanisms rather than with the regions. It seems plausible though that it is precisely the different instruments applied by the EU or local conditions that make the mechanisms vary between the regions. This would lead us to the second possible argument: a significant role for region-specific factors. This will be further elucidated in sub-chapter 8.2 below.

Variation and patterns among substantial and moderate institutional change

Out of the seven cases analysed, five are characterised by substantial institutional change (scores 3 and 4).[274] In four of these five cases, we have at least one path of EU influence that connects the institutional change to EU actions and has a substantial impact. For the remaining case, the decisive mechanism scores as 'moderate'. In three of the four cases for which we see a substantial impact of a causal mechanism, lesson-drawing is the decisive mechanism, the remaining case is influenced by conditionality. The three lesson-drawing cases are all located in the Mercosur region whereas the conditionality case belongs to the Western Balkans. Hence there is no pattern that would hold across regions to a 100%. The only trait close to a pattern that emerges across regions is that cases of substantial institutional change are generally characterised by the substantial impact of at least one path of EU influence.[275]

There is also no common pattern of EU influence for the two remaining cases for which institutional change is just moderate. In the first case – the creation of a

[274] Namely: Focem, Mercosur Parliament, Mercosur Court, CEFTA, and the SP.
[275] The creation of the SP is the exception to this, with the impact of conditionality scoring moderate.

macroeconomic convergence regime for Mercosur – a substantial impact of EU assistance went hand in hand with a moderate impact of lesson-drawing. In the second – the transformation of the RCC into the SP – a *potpourri* of mechanisms had a combined impact on the process, each with a moderate influence: persuasion, lesson-drawing, assistance and emulation.

Which path of influence is the strongest?

If we now set the individual causal mechanisms in relation with the degrees of institutional change in our cases, we observe that three out of five cases with the highest degree of institutional change ("substantial" institutional change – scores 3 and 4) are characterised by a 'substantial' role for lesson-drawing, i.e. for a mechanism in which the receiver of EU influence shows a considerable degree of own-initiative. To the contrary, the only case with an only moderate impact of lesson-drawing is the one where we also see a just 'moderate' institutional change. While this pattern is very clear for the Mercosur region, it does not apply at all to the Western Balkans. Here higher degrees of institutional change are only associated to a role for conditionality – and the single case in which institutional change is just moderate is also the only one in which conditionality does not play a role. This pattern is therefore not consistent across regions and/or possibly related to the scope conditions. What we can summarise at a cross-case level is that lesson-drawing and conditionality go along with substantial degrees of institutional change and therefore seem to be the most effective paths of EU influence.

It is not possible to say in general terms whether sender- or receiver-led mechanisms are more common. We observe that receiver-led mechanisms appear five times against seven sender-led ones. It is significant though that all the instances of receiver-led mechanisms pertain to lesson-drawing. Sender-led mechanisms appear more diversely: assistance (4 times), conditionality (twice) and persuasion (once).

Is it all in the mix? – Interaction between paths of EU influence

In most of the cases analysed we found several causal mechanisms at play at the same time – a situation that our theoretical framework takes into account and that seems only logical in light of the different instruments available to the EU. This raises the question whether specific combinations of causal mechanisms interact with each other and / or have a stronger effect than individually. Our assessment of an "assisted lesson-drawing" in the

Mercosur Parliament provided evidence for such a phenomenon already on the within-case level and this section will assess whether such patterns can be seen also across cases.

If we look at our seven case-studies, we see indeed that *assistance* always appears in conjunction with other mechanisms – a pattern that is consistent across the regions, with two cases each in the Western Balkans and the Mercosur region.[276] In all four cases we can observe that assistance does not simply work in parallel to other paths of EU influence but in interaction with them. In the aforementioned case of the Mercosur Parliament, the impact of EU assistance is a clear and necessary precondition for lesson-drawing to have an impact at all. In the three other cases, assistance is complementary to lesson-drawing, conditionality or persuasion and lesson-drawing. In the creation of the CEFTA2006 trade agreement, assistance enables the Western Balkan states to deliver on the commitments that EU conditionality had pushed them to agree to. During the creation of Mercosur's macroeconomic convergence regime, EU assistance only gained track in real practice once the topic became politically salient. At that point, the governments in the region developed an ownership for the issue, which also translated into lesson-drawing. In the case of the SP's transformation into the RCC, assistance played a supporting role signalling to the states in the region that the EU's support was there to stay despite the push for 'regional ownership'. In sum we see that EU assistance supports and reinforces other causal mechanisms and increases their impact.

Lesson-drawing appears both on its own (Focem, TPR) and in interaction with other paths of EU influence (Macroeconomic convergence, Mercosur Parliament and RCC). The fact that lesson-drawing suffices to shape two cases of substantial institutional change has already been discussed above, it underlines the effectiveness of this mechanism. Similarly, also the interaction with assistance in the case of the Mercosur Parliament has been mentioned above. In the remaining case, the transformation of the SP into the RCC, lesson-drawing had a very moderate impact and we observe no interaction with the other mechanisms involved (persuasion, assistance and emulation). Finally, no general pattern can be seen as to the interaction of *conditionality* with other mechanisms. Out of the two cases in which it is the decisive mechanism, conditionality only appears in conjunction with

[276] Namely: CEFTA2006, RCC, Macroeconomic convergence and the Mercosur Parliament.

assistance in the CEFTA2006 case. As mentioned above, assistance enabled the states in the region to honour their commitment to negotiate trade agreements, but it did not trigger institutional change.

In sum, we observe that assistance is the mechanism that interacts with other mechanisms most often, enabling lesson-drawing and reinforcing the role of conditionality and persuasion. We do not find any similar patterns neither for lesson-drawing nor for conditionality, the two other most frequent mechanisms.

Synthesis

This cross-case comparison has assessed different aspects related to our SRQs 1 and 2 and has revealed a potentially decisive role for our scope conditions and the local contexts in which EU influence on regional cooperation unfolds.

At the level of our IV, the use of EU instruments to promote regional cooperation, the cross-case comparison shows that there is no linear relationship between the IV and our DV 'institutional change modelled according to EU aims' that would hold also across the two regions studied, hinting at a role for those factors that vary across the two regions such as power asymmetries and degrees of statehood.

At the level of our causal mechanisms and our SRQ2 'To what extent is the EU able to influence the emergence and development of regional cooperation outside the EU?' our cross-case perspective shows that there is a connection between EU instruments and institutional change in all cases analysed, with a strong nexus in at least five out of the seven cases surveyed. We can therefore conclude that the EU is indeed able to influence the emergence and development of regional cooperation beyond its borders.

Having a closer look, two patterns become apparent at a cross-case and cross-regional level. First of all we see that utility-driven mechanisms are the most relevant ones by far. Secondly, we observe that ownership and own-initiative are an important factor in almost all the cases studied. Not only is lesson-drawing, a mechanism clearly dependent on local initiative, among the most effective ones, but even EU conditionality in the Western Balkans was modified and adapted to local conditions following resistance from within the region. The complementarity of EU assistance with other – more locally driven – mechanisms further substantiates the relevance of local initiative.

Other results, however, show a greater variation and again point at the potential relevance of our scope conditions. For example, we see that two causal mechanisms stand out in terms of their effectiveness: lesson-drawing and conditionality are associated with cases of substantial institutional change. But these mechanisms are also evenly split between Mercosur (lesson-drawing) and the Western Balkans (conditionality). In a similar vein, we saw that the intensity of the mechanisms varies strongly between the two regions. This region-specific variation seems to indicate that scope conditions such as statehood and power asymmetries as well as the local context play an important role in modulating and influencing the EU's impact on regional cooperation beyond its borders. The following sub-chapter will therefore focus on the role of the scope conditions.

8.2 Relationship with the scope conditions

Throughout this study, we have hypothesised that regionally and locally diverging scope conditions are likely to have an influence on the EU's ability to promote regional cooperation beyond its borders. Our empirical analysis has indeed confirmed that there is significant variation between individual cases (for example regarding the role of domestic incentives) and between regions (e.g. as to the most effective causal mechanisms). Finally, the lack of a cross-regional linear correlation between our IV and our DV points to a strong degree of regional specificity. Following from those empirical results, this section will survey whether and to what extent variation in the scope conditions and the regional context may stand behind these differences in EU impact. The analysis of power asymmetries will contribute to answering our SRQ3 'How does EU leverage influence its success in promoting regional integration?'.

In chapter 3.4 of our analytical framework, we hypothesised how the scope conditions are likely to influence the impact of our causal mechanisms. In a nutshell, we expect that those scope conditions pertaining to a material ontology will interact with the utility-driven mechanisms (conditionality, assistance and lesson-drawing), while those with a focus on social perceptions would influence persuasion and emulation, our two legitimacy-driven mechanisms. Taking these expectations as a starting point, the following sections will discuss whether variations in the scope conditions relate to the cross-case and cross-regional variation that we have found in the analysis above.

8.2.1 *Push or pull? – on the role of domestic incentives and critical junctures*

Domestic incentives on a cross-case perspective – evidence and variation

In our theoretical expectations, we characterised domestic incentives in the EU's partner region as an almost necessary condition for EU instruments and the corresponding causal mechanisms to work at all. More specifically, we argued that the demand for new institutions or policies as sparked by a crisis or a critical juncture would stand at the beginning of diffusion processes. Table 8.6 below summarises the evidence from the seven case studies.

Case	Critical juncture present?	Pursuit of legitimacy?	Causal mechanisms
Focem	2001 Argentinean default, 2002 South American economic crisis (cf. p. 170f.)	Paraguay used EU experiences to buttress its demands (cf. p. 170f, 176f.)	Lesson-drawing
Macroeconomic convergence	2001 Argentinean default, 2002 South American economic crisis (cf. p. 186f.)	-	Assistance, Lesson-drawing
Mercosur Parliament	2003 Mercosur relaunch following the 2002 crisis (cf. p.	-	Lesson-drawing, assistance
TPR	2003 Mercosur relaunch following the 2002 crisis (cf. p. 221)	Uruguay uses ECJ example to buttress its call for supranationalism (cf. p. 224f., 230f.)	Lesson-drawing
Mercosur	**4/4**	**2/4**	
CEFTA 2006	*1999 end of Kosovo war* 2000 government change in FR Yugoslavia (cf. p. 267f.)	-	Conditionality
Stability Pact	*1999 end of Kosovo war* (cf. p. 284ff.)	-	Conditionality
RCC	-	-	Persuasion, lesson-drawing, assistance
Western Balkans	***2/3***	**0/3**	

Table 8.6: Domestic incentives | Cross-case and cross-regional variation

If we now look at this evidence, we see that almost all case studies are characterised by significant critical junctures that opened up room for debate and new solutions. But we also see that this is not the case everywhere and that there is a significant variation between the

Mercosur cases and those in the Western Balkans. Whereas the four Mercosur cases are characterised by critical junctures that incentivised the region to look for new institutional solutions on its own, the two cases in the Western Balkans in which we see a critical juncture are somehow different (and therefore shown in italics): here, the critical junctures are obvious but they did not necessarily spark any own-initiative from within the region. They rather motivated external players to intervene in the region and reduced the region's options to oppose to such foreign influence. These two cases are therefore shown in italics in the table above. In the third case from the Western Balkans, we found no critical junctures at all. If we consider these two special cases, then variation between the two regions is clear: while critical junctures play a decisive role in Mercosur, they are almost negligible in the Western Balkans. Seek for legitimacy, i.e. the use of EU influence or patterns by local actors to make the case for their own agenda, only plays a role in two the Mercosur cases.

The interplay between domestic incentives and paths of EU influence

In how far does this variation in the domestic incentives challenge our theoretical assumptions on the interplay between scope conditions and causal mechanisms?[277] First of all, we can largely confirm a number of expectations. As hypothesised, the functional demand for new solutions following a critical juncture seems to have an enabling effect on lesson-drawing. We see from the table above that all cases in which lesson-drawing had a substantial impact are characterised by a critical juncture (Focem, Mercosur Parliament and TPR) and our case studies confirm that it was the critical juncture that sparked the search for new solutions. We can also confirm a positive relationship between critical junctures and the impact of EU assistance. In the two cases in which assistance had a substantial impact (Macroeconomic convergence and the Mercosur Parliament), the impact of assistance was increased by a critical juncture. In the Macroeconomic convergence case, the aftermath of the financial crisis in 2002 rescued the different EU-sponsored projects from political oblivion. In the case of the parliament, the enabling impact of EU assistance

[277] It is important to take into account that the cross-case analysis can only reflect correlations between scope conditions and causal mechanisms and not any causation. We can therefore disconfirm certain causalities, but not confirm them unless we have appropriate evidence from our case studies.

only came fully intro fruition once the political initiative of the Brazilian and Argentinean presidents put the Mercosur parliament in the spotlight.

On the other hand, a number of our expectations cannot be confirmed in light of the evidence presented in table 8.6 above. In view of its almost negligible or unclear role in the Western Balkans cases, we can neither confirm nor disconfirm a positive relationship between conditionality and critical junctures. The same occurs with their relationship with emulation, where we have no case in which this mechanism had been significant. We can though disconfirm a positive relationship between critical junctures and persuasion since the case in which persuasion had a significant impact (RCC) is precisely the one without a critical juncture. In the same logic, the RCC case also allows us to disconfirm a necessary (enabling) relationship between the pursuit of legitimacy and persuasion.

Critical junctures as catalysts of EU influence

In the previous section of this chapter, we found that there is no linear relationship between the IV and the DV that would hold also at a cross-regional level. While the use of EU instruments to promote regional cooperation is stronger in the Western Balkans (15,6 vs. 10,6), institutional change is still lower than in Mercosur (2,6 vs 3,25). We also saw a considerably higher impact of the causal mechanisms at play in the Mercosur region (69 %) than in the Western Balkans (38 %).

Could the stronger role of domestic incentives in the Mercosur region explain this variation? In principle: yes. While it is clear that the pursuit of legitimacy does not correlate with cross-regional variation, our evidence shows that stronger effectiveness of the EU in the Mercosur cases goes hand in hand with the existence of critical junctures that motivated the governments of the region to actively look for external templates and solutions to their regional problems. In all four cases, they did so by drawing lessons from the offers that the EU was glad and willing to provide. Further adding evidence to this claim, our assessment above confirms that there is a positive relation between critical junctures and lesson-drawing. Since clear-cut critical junctures are missing in the Western Balkans, this variation could well be one explanation for the EU's stronger effectiveness in Latin America. The analysis of the further scope conditions in the next sections will further contribute to narrow down their effect as catalysts or mediators of EU influence.

8.2.2 *EU leverage – on the role of power asymmetries*

Power asymmetries on a cross-case perspective – evidence and variation

A look at our case studies reveals a considerable cross-regional variation for the power asymmetries between the EU and the two regions under analysis. Quite unsurprisingly, this variation leans towards a much stronger asymmetry between the Western Balkans and the EU than between Mercosur and the EU. While the Western Balkans has a very strong economic dependence on the EU and in terms of the provision of legitimacy and security, Mercosur is only dependent in economic terms. And even though this dependence is strong, it is comparable to the EU's asymmetry to many other regions in the world. Table 8.7 below summarises this variation, distinguishing between material and social categories of dependence.

Relationship	**Economic / security dependence**	**Legitimacy dependence**	**Causal mechanisms** (ordinal ranking)
EU-Mercosur	**Strong to average** (high trade asymmetry, largest foreign investor, largest provider of ODA, no security dependence, cf. p. 145f.)	**Negligible** (cf. p. 145f.)	Lesson-drawing, assistance
EU-Western Balkans	**Very strong** (extreme trade asymmetry, largest foreign investor, largest provider of ODA, EU security missions, cf. p. 244ff.)	**Very strong** (dependence on EU assessments, cf. p. 244ff.)	Conditionality, Persuasion, Assistance, Lesson-drawing

Table 8.7: Power asymmetries | Cross-regional variation

The interplay between power asymmetries and paths of EU influence

Like in the previous section we set this variation in relation to the causal mechanisms at play – this time from a cross-regional perspective since that is the one where we find variation on power asymmetries. For that purpose, table 8.7 above also lists the causal mechanisms at play in each region according to the ordinal ranking. Chapter 3.4 enumerated expectations for an enabling or positive relationship between power asymmetries and the conditionality, assistance, persuasion and emulation mechanisms.

We can confirm in principle our expectation that economic and security dependence has an enabling role for conditionality. As mentioned earlier on, conditionality only appears in the EU-Western Balkans relationship, which is characterised by very high material power asymmetries. This result is rather unsurprising, since the logic of conditionality requires incentives on which to condition something. Much speaks in favour of confirming the theoretical expectation that conditionality will not have any impact if there are no power asymmetries at all. The lack of conditionality in the EU-Mercosur relationship, where asymmetries are smaller, is consistent with this. However, testing whether material asymmetries are also a *catalyst* for conditionality is not possible with the research design used here.[278] Since we did not find any emulation process with significant impact in any of our seven case studies, we can neither confirm nor disconfirm whether social power asymmetries – i.e. dependence on EU legitimacy – have an enabling influence on emulation. Since we only have one case of persuasion it is impossible to assess whether this particular mechanism is positively influenced by the dependence of the target region on EU legitimisation.

We expected that larger power asymmetries would go hand in hand with a stronger impact for assistance. Our evidence disconfirms this expectation since variation in the impact of assistance runs opposite to that of the power asymmetries. Assistance plays a more prominent role in Mercosur, the region with smaller power asymmetries (twice with a substantial impact), than in the Western Balkans (twice with a moderate impact).

Power asymmetries as catalysts of EU influence?

Could the cross-regional variation in power asymmetries explain the diverging effectiveness of the European efforts to promote regional cooperation in the Western Balkans and in Mercosur? At first sight, such an explanation would certainly seem counter-intuitive. After all, the region where we see strongest frictional loss between the IV and the DV – the Western Balkans - is also the region on which the EU enjoys the strongest leverage. Hence, to explain cross-regional variation power asymmetries would need to have a negative effect on the EU's impact instead of a positive.

[278] This would require a research design that compares two or more extremely similar conditionality processes under different power asymmetries.

At most, power asymmetries could have an indirect effect on the cross-regional variation between IV and DV. Our cross-case results and our process-tracing both indicate that conditionality is less effective than lesson-drawing. Across all cases we see that lesson-drawing has an average intensity of 64 %, whereas conditionality only reaches 55 %[279] and we have seen, most clearly in the CEFTA2006 case study, that even under strongest conditionality and leverage the EU may need to opt for a second-best solution because it is not able to overcome local resistance. This may not only contribute to explaining the variation between the two regions, but it also advances a reply to our SRQ3 'How does EU leverage influence its success in promoting regional cooperation?'

As an enabling factor, stronger EU leverage allows for the use of conditionality, but conditionality seems to be a less effective path of EU influence than lesson-drawing. At the same time, relying on lesson-drawing may often not be an option in situations in which the EU opts for conditionality. For example, it seems difficult to imagine that the Western Balkan states would have agreed on a regional FTA or on the Stability Pact out of the mere conviction that regional cooperation worked well for the EU. According to this line of thought, EU leverage does not necessarily have a positive influence on the EU's success in promoting regional cooperation. From the point of view of political practice, however, this distinction may be trivial, since lesson-drawing may not be available when conditionality needs to be used. We can therefore conclude that EU leverage does not have a direct positive effect on the EU's success in promoting regional cooperation.[280]

8.2.3 Coping with EU influence – on the role of statehood

Statehood on a cross-case perspective – evidence and variation

While statehood in a material and also in a social sense varies between our two regions, the variation does not seem to be high enough to contribute to explaining cross-regional

[279] Calculated from the average intensities (actual score in relation to maximum score possible) of all lesson-drawing and conditionality instances.

[280] To assess an effect of power asymmetries on the EU's influence more precisely, we would require a research design that isolates the role of power asymmetries by comparing two or more otherwise identical cases of lesson-drawing or conditionality under different power asymmetries. While this is unattainable under real-life conditions, the conclusion will discuss how an approximation could look like.

differences in EU impact. Instead, it is more likely that the different degrees of statehood and the regional specificities it comes with have a more nuanced effect.

We observe that both regions have a sufficiently high material statehood, i.e. state capacity to enforce decisions, to cope with the implications of regional cooperation. Even if there are exceptions in both regions, their relevance does not seem sufficient to compromise this overall assessment. Statehood from a social perspective, i.e. the attachment to the preservation of national sovereignty, is also very high in both regions, albeit for different reasons and with different connotations. Whereas we find a strong attachment to national sovereignty but a positive symbolism for regional cooperation in Mercosur, in the Western Balkans this strong national attachment comes with a transactional understanding of regional endeavours. Table 8.8 below summarises this variation, distinguishing between material and social categories of dependence.

Relationship	**Capacity to enforce decisions**	**Attachment to national sovereignty**	**Causal mechanisms** (ordinal ranking)
EU-Mercosur	**Reasonably high** (with the partial exception of PGY, state capacity should be no impediment for RC, cf. p. 144)	**Very high** (cf. p. 141)	Lesson-drawing, assistance
EU-Western Balkans	**High enough** (statehood high enough not to be a hindrance for RC – with partial exception of BiH, cf. p. 244)	**Very high** (with the exception of BiH, cf. p. 241)	Conditionality, Persuasion, Assistance, Lesson-drawing

Table 8.8: Degrees of statehood | Cross-regional variation

The interplay between statehood and paths of EU influence

Our theoretical expectations from chapter 3.4 hypothesised a positive influence of material statehood on assistance and a negative influence on conditionality, lesson-drawing and emulation. For the attachment to national sovereignty, we hypothesised a negative interaction with conditionality and a positive one with emulation. As in the previous cases we cannot assess the interaction with emulation as this mechanism does not have any significant impact in this study. Regarding the interaction with the other mechanisms, it is difficult to draw any conclusions due to the limited cross-regional variation of statehood. At most, we can substantiate our expectations through individual case-study evidence.

In that sense, the CEFTA2006 case impressively supports the assumption that a strong attachment to national sovereignty can limit conditionality – after all, the region had to take a significant detour to regional trade integration and the EU to content itself with a second-best solution. Evidence from our Mercosur case studies and from the CEFTA2006 case in the Western Balkans supports the expectation that there is a negative relationship between state capacity and lesson-drawing, albeit a nuanced one. As we saw in the analysis of these cases, the EU's role as a front-runner of regional cooperation resonates well with technical and administrative elites in the regions analysed. These groups see EU institutions and policies as technically superior and worth striving for. We can expect that this perception decreases with the growing capacity of their own administrations and as the gap to the EU becomes narrower. In fact, our macroeconomic convergence case study in the Mercosur region provides a hint for this development: as soon as the EU fell into a financial crisis itself, its reputation was also harmed.[281] Regarding the positive relationship between material statehood and assistance, our case-study evidence suggests that there is a threshold of state capacity to enforce decisions up to which assistance has a positive influence on the EU's impact on regional cooperation. This is well in line with the complementary role that assistance has in relation to other causal mechanisms.[282] The cases of the Mercosur Parliament and of CEFTA2006 illustrate this threshold influence well. Had the predecessor of the Mercosur Parliament already had a certain administrative capacity, EU assistance wouldn't have had an enabling impact on the subsequent lesson-drawing. Similarly, achieving the results of EU conditionality in the CEFTA2006 case, was only possible because assistance supported the states in the region in negotiating the bilateral trade treaties they had committed to.

Statehood as a catalyst of EU influence?

In light of its limited cross-regional variation, we cannot ascribe statehood a significant role in explaining the diverging effectiveness of the EU in Mercosur and the Western Balkans when it comes to translating the use of its instruments into a stronger influence on institutional change.

[281] See p. 195f. above.
[282] See p. 318 above.

An indirect explanation could follow from the previously discussed limiting role that a strong attachment to national sovereignty seems to have on the impact of conditionality. Since the EU seems to be less effective in the region in which it relies on conditionality most, this indirect effect could explain why a higher use of EU instruments translates into a lower impact on institutional change there. Again, studying this potential effect in detail would require a research design that isolates statehood against other variables.

Synthesis

This section has analysed whether and how variation in the scope conditions and the regional context affects the EU's impact on regional cooperation beyond its borders. To do so, it has focused on variation in the three groups of scope conditions – domestic incentives, power asymmetries and degrees of statehood – and has set this variation into relation with the paths of EU influence at play. In a third step, we surveyed whether the respective scope condition could contribute to explaining the diverging effectiveness of the EU in the Western Balkans and Mercosur.

We find that there is cross-regional variation as to the role of domestic incentives and power asymmetries, but no major variation when it comes to degrees of statehood. Building on these results, we test the hypotheses that we had developed regarding the interaction between the scope conditions and the individual causal mechanisms. While our research design does not allow to confirm claims of causality at this level of analysis our assessment allows us to review and disconfirm a number of the hypotheses. An updated version of the expectations developed in chapter 3.4 is presented in table 8.9 below and reflects the results.[283] '?' stands for a relationship that cannot be confirmed empirically, '+' for positive interaction, '-' for a negative and 'none' for no interaction. 'Enabling' reflects that the scope condition is pre-condition for the mechanism to work and 'treshold' that the role of assistance is only increased by low state capacity up to a certain level.

Scope condition	**Causal mechanism**				
	H1a: conditionality	**H1b: assistance**	**H2: lesson-drawing**	**H3: persuasion**	**H4: emulation**
Domestic incentives					
Functional demand	?	+	enabling	none	?

[283] Table 3.4 on p. 73 shows our theoretical expectations.

Seek for legitimacy				none	?
Power asymmetries					
Economic / security dependence	enabling	none			?
Dependence on legitimation	none	none		?	?
Degrees of statehood					
Capacity		-, threshold	-		?
Attachment to sovereignty	?				?

Table 8.9: Cross-case analysis | Scope conditions in relation to causal mechanisms

Finally, we see that critical junctures and a strong attachment to national sovereignty could in principle explain the different effectiveness of the EU in the Western Balkans and Mercosur. The effect of national sovereignty would work through its limiting influence on the impact of conditionality, whereas critical junctures correlate with the most effective of our causal mechanisms: lesson-drawing. The results for power asymmetries and hence for our SRQ3 are quite surprising as we find that EU leverage does not have a direct positive effect on the EU's impact in promoting regional cooperation. This is likely a result of the EU's propensity to use conditionality in regions where it has strong leverage, which in turn happens to be a less effective mechanism than others. While this result is theoretically interesting, its relevance for political practice is limited since the EU will seldom have a free choice between lesson-drawing and conditionality. Due to our research design, all these results are only approximations that would need a causal analysis to be confirmed.

Conclusion

This cross-case analysis has served to aggregate the results of our analysis beyond the individual cases and to assess the role and interactions of our scope conditions. Chapter 8.1 opened up cross-case perspectives on our SRQ1 and 2 and found that there is no linear correlation between our IV and DV that would also be stable across the regions analysed. Together with the variation in the impact and role of the causal mechanisms in the two regions, this result points at the relevance of further, regionally varying, factors.

Chapter 8.2 took up this variation to survey in how far it is related to the scope conditions included in our analytical framework: domestic incentives, power asymmetries

and degrees of statehood. While a concluding, causal analysis would require a different research design, we could exclude some influences and substantiate the possible role of others. First of all, the analysis confirmed a strong role for local conditions and allowed us to empirically test most of the theoretical expectations on the relationship between scope conditions and causal mechanisms. Among the different scope conditions, we saw that critical junctures and the attachment to national sovereignty could explain the EU's different effectiveness in Mercosur and the Western Balkans through their mediating role lesson-drawing and conditionality. Finally, our analysis has advanced a rather counter-intuitive reply to SRQ3, showing that EU leverage has no direct positive effect on its impact on regional cooperation beyond its borders.

On the basis of these results and of those of the case-studies, the following chapter 9 will reply to our research questions and reflect on the implications of our results for the academic discussions and for political practice.

Part IV Conclusions and Implications

9 Conclusion

This thesis set out to answer 'how, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders'. This last chapter discusses the conclusions of the thesis regarding those questions, reflects on the implications of its findings for academic discussions and for political practice and provides an outlook on possible paths for future research. After sub-chapter 9.1 summarised the answers to our research questions, sub-chapters 9.2 and 9.3 respectively focus on possible implications for academic analyses devoted to the EU's influence on regional cooperation and for the policy and its impact in practice.

9.1 Does the EU succeed in promoting regional cooperation?

'How, to what extent and under what conditions does the EU succeed in promoting regional cooperation beyond its borders?' is the research question leading this thesis. The *'how'* part of our research question was addressed through our first sub-research question 'what instruments does the EU employ to promote regional cooperation?' Here, our analysis found that encouraging regional cooperation runs through most of the EU's external policy fields and that the EU uses numerous instruments to promote its objective. It has a somewhat stronger propensity to use instruments in the fields of technical assistance and development cooperation and trade than political relations. In practice this means that the EU promotes regional cooperation for example by providing technical and development assistance projects to interested parties, by designing and negotiating trade agreements that seek to bind together the markets of its counterparts and, especially in the Western Balkans, also by pushing for reconciliation and cooperation in political negotiations.

The *'to what extent'* portion of our research question was the focus of our second sub-research question 'to what extent is the EU able to influence the emergence and development of regional cooperation outside the EU?' In this particular field, our analysis found that there is a connection between EU instruments and institutional change in all cases analysed, with a strong nexus in at least five out of the seven cases surveyed. We can

therefore conclude that the EU is indeed able to influence the emergence and development of regional cooperation beyond its borders, but also that this extent varies across the different cases analysed. In particular, we found that the EU was – on average – more effective in the Mercosur region than in the Western Balkans, that drawing lessons from previous EU experiences with specific regional cooperation problems and institutions was the most effective path for EU influence to impact local decisions on regional cooperation and that own initiative by the recipient of EU influence and local conditions shape the EU's impact to a large extent.

As to '*under what conditions*' the EU is successful in promoting regional cooperation our third sub-research question focused on finding out 'how EU leverage influences its success in promoting regional cooperation'. Our result here is certainly counter-intuitive as we found that EU leverage does not have a direct positive effect on the EU's success in promoting regional cooperation. While this cannot be concluded with certainty from our research design, it seems feasible that this counter-intuitive result is related to the diverging effectiveness of lesson-drawing and conditionality. Where the EU resorts to conditionality, lesson-drawing is unlikely to play a (significant) role due to local resistance. In our setup, this applies to the Western Balkans. Together with the fact that lesson-drawing is on average more effective than conditionality, this may explain the *a priori* negative link between EU leverage and EU impact on regional cooperation.

In sum, we can conclude that: yes, the EU succeeds in promoting regional cooperation beyond its borders. But it does so with a number of limitations and implications that carry significant repercussions both for the academic analysis of this phenomenon as for the policy as such.

9.2 Implications for the academic discussion

Three main motives guided the academic research interest behind this thesis. First of all, we sought to place a stronger focus on the impact of EU external action than on its processes and governance. Secondly, we wanted to develop an analytical framework that allows studying the role of external factors in fostering regional cooperation from a micro-perspective, i.e. by focusing on the behaviour and decision-making of those who are confronted with the EU's influence and thereby allowing for an empirical analysis of causality. Finally, our approach sought to expand the range of cases usually analysed in the

literature and to be flexible enough to accommodate further cases of (potential) (EU) influence on regional cooperation. In light of the analysis and its results, the following paragraphs evaluate the contributions to these goals and point out some avenues for further research that follow from our results and from the limitations of this study.

9.2.1 Appraisal of the analytical framework

To address our research question, we designed an analytical framework based on a diffusion approach that allows us to build upon a wide variety of theoretical accounts to hypothesise on the EU's possible impact on regional cooperation. Scope conditions, i.e. factors that are expected to modify and influence the effect of the EU in promoting regional cooperation, served to survey the role of aspects that are likely to differ between the regions – such as the EU's degree of leverage over its partners or local conditions. The framework focused on studying the 'decision points' of local actors when confronted with EU influences. This micro-approach allowed us to process-trace claims of causality against empirical evidence, something which is not possible with systemic approaches.

We used the flexibility of this framework to study two EU relationships that capture the wide range of biregional relationships towards which the EU promotes regional cooperation, but which had so far not been studied under one common framework. The analytical framework allowed us to use one common approach to study two regions and seven cases with different traits, institutional setups, governance systems and contexts. In light of the fact that the model has served to analyse cases from these *a priori* very different regions, there is no apparent reason why this approach could not be used to also for further regions and cases. Further refined and in conjunction with the lessons drawn from other diffusion approaches, this model may well serve to analyse instances of potential EU impact on other matters than regional cooperation. This could represent a contribution to increasing the literature focused on the impact of EU external action.

Beyond these considerations, several points that have emerged from the analysis deserve special attention with a view to further research: the EU's impact and the role of local agency, multicausality and utility- versus legitimacy-driven explanations, and a possible underestimation of conditionality. These are briefly discussed in turn.

EU impact and local agency

The results of our analysis highlight the relevance of local agency and the role that a mix of international diffusion and domestic influences play even in situations with strong EU leverage. In general, one can state that the powerful roles of lesson-drawing and critical junctures highlight that EU impact on regional cooperation is as much a matter of EU action as it is one of local agency. The role of mixed sources of diffusion becomes clear in the case of the Mercosur Parliament, where a lesson-drawing process combined an EU template with local requirements. As the case of the regional FTA in the Western Balkans has shown, conditionality played a decisive role in pushing for and establishing a specific EU-favoured solution. But it did so only after local actors had succeeded in modifying the EU's initial proposal to a considerable extent. A research design focused on structure would have overlooked these influences. As a consequence, it would have possibly overestimated the EU's influence.

Multicausality and utility-driven versus legitimacy-driven explanations

When setting up our theoretical framework in chapter 3, we argued that it was important to cover as many explanatory mechanisms as possible to achieve higher explanatory value, taking into account that EU influence was likely to be multicausal. The selection of a process-tracing analysis was also justified with the opportunities it offers to assess evidence for different hypotheses. Indeed, our results have confirmed that paths of EU influence do almost never come alone and often even interact with each other – as in the case of 'assisted lesson-drawing' in the Mercosur Parliament.

At the same time, we have also seen that legitimacy-driven explanations – persuasion and emulation – play almost no role, not even in the Western Balkans, where we expected them to be prominent due to the region's dependence on EU legitimisation. While our study also found plausible reasons for this, the modest role of these mechanisms raises the question of whether this can be seen as a general pattern or whether a different research design or a larger number of cases would lead to different results. Larger-n studies would be useful to detect this. If legitimacy-driven mechanisms happen to have no explanatory power by themselves, future studies could leave them aside and concentrate on utility-driven paths of influence.

Uncovering a shadow of conditionality?

It remains a rather surprising result that conditionality has no measurable impact in the transformation of the SP into the RCC while the context and the declared lack of motivation of the Western Balkan governments all indicate that they only followed the EU's will to avoid the costs of not doing so – a classical conditionality situation. If we assume that this finding is not the result of a measurement error, then this situation raises theoretically interesting questions. It might indicate that our model – focused as it is on detecting influences on a micro-level is less suited to detect what we could term as a "shadow of conditionality", i.e. a situation in which all actors are aware of the fact that the EU could apply conditionality to ensure compliance – and knowledge about this implicit 'threat' makes it unnecessary in practice. Testing for this effect in practice is difficult and could be a subject for further research. Strategies to uncover such an effect could include openly asking local actors whether they would expect conditionality as a second-round reaction to non-compliance.

While we can conclude that the analytical framework has proven useful for our research question, the fact that it has also raised some new questions provides room for further research – beyond the always welcome replication of this study or an expansion by further cases. Some of these avenues for further research build upon the issues mentioned above; others depart from the limitations inherent to this study. The following section will discuss them.

9.2.2 Paths for further research

The need to limit the study to a manageable size and effort in terms of the number of cases studied, the empirical evidence collected and the number of inferences drawn from the analysis imply some limitations that could be addressed either with alternative research designs or larger studies.

Dependent and independent variables

For example, our dependent variable was intentionally reduced to "institutional change *according to EU aims*". While this makes sense in a study that assesses the impact of a deliberate EU policy, it is also evident that a less deterministic definition of our DV could

lead to new insights. It could provide a null hypothesis that would increase the robustness of our findings and it might also allow detecting unintended consequences of EU promotion of regional cooperation – for example, the adoption of specific institutional patterns by other institutions than those targeted by the EU. It seems though that such an approach would require a large-n design or at least many more measurement points with the corresponding additional empirical effort. To a certain extent, such an approach would also counteract our efforts to keep our studies as narrow as possible to oversee other exogenous influences on regional cooperation. Again, countering this effect would require expanding the number of cases and measurement points.

Remaining with our DV, our study has also shown some limitations of using 'institutional change' as a variable. Several cases have shown that if our research interest lies in assessing the EU's success in promoting regional integration, institutional change is a very close proxy and a precondition but no guarantee that the EU's influence is stable over time or trickles down into political practice. To name one example, the creation of the Mercosur Parliament is a case of EU success in terms of institutional change, but one can doubt that it has contributed to closer regional integration. The reasons for this lie not with the EU: local political motives have hindered the Mercosur Parliament from using its acquired competences – and it cannot be ruled out that this will change in the future. This study has addressed these issues by including the context in our analysis, but a DV that peers into political practice might come with more explanatory power.

It remains open for discussion whether an individual assessment of our IV for each and every case would have added significant additional explanatory power to our study compared to the region-based analysis that we used for reasons of time and space. While it would have increased the number of possible inferences in our cross-case analysis, it is likely that variation would have been limited. Grouping our IV according to logics of external action – e.g. as a threat, a role model, etc. – instead of policy fields seems a better choice. It would have allowed comparing our IV on a more abstract level while keeping the additional effort in check. A possible approach is outlined in Annex D.

Bringing the scope conditions to the front

Our study has shown that local factors and specificities are very important to understanding the EU's impact on encouraging regional cooperation. Specifically, the study has

substantiated the importance of critical junctures and the attachment to national sovereignty as explanations for the EU's different effectiveness in Mercosur and the Western Balkans. These results – and the impossibility of establishing causal inferences at that level with our research design – make it worth exploring approaches that place a stronger focus on the role of these scope conditions. A radical but interesting option could be to use a research design that places relevant scope conditions as independent variables and tests for their influence on our dependent variable. This would allow us to test for causal relationships and not just for coincidence or correlation as is the case here. Building on the results of our present study, such an analysis could concentrate on critical junctures and national sovereignty as these have been found to be relevant here. But it could also put all scope conditions to the test to substantiate or disconfirm this result. A further approach would build on our results and entail a quantitative or a mixed-methods study. This would provide additional evidence and allow searching for correlation between our DV, our IV and our scope conditions to put the most promising relationships to a detailed empirical test.

9.3 Implications for the policy and its impact

From the policy perspective, the research interest of our thesis was driven by two main motives, both of them connected to our focus on studying policy impact. First of all, we wanted to establish whether the EU manages to play a role in promoting regional cooperation and integration as a contribution to a 'negotiated world order'. Secondly, we wanted to assess the EU's performance as a relatively novel foreign policy actor that is subjected to special pressure to justify its role. Borrowing from Frank Sinatra[284], in both cases the underlying expectation was that if the EU does not 'make it here, it will not make it anywhere'. After all, conditions for an EU influence have rather worsened than improved in a multipolar world increasingly shaped by large emerging powers and in light of the EU's comparative advantage and decades of experience in regional cooperation and integration. Our empirical results allow us to reflect on these points and also highlight a number of further implications that are worth discussing to better understand the nature of the EU's impact and improve its track record.

[284] And from Fred Ebb and John Cander, the authors of the song 'Theme from New York, New York'.

The fact that the EU has been largely successful in promoting regional cooperation beyond its borders provides us with some comfort in terms of our research interest. It is reasonable to conclude that the EU has indeed been able to influence and shape how other actors cooperate within their regions. Certainly, further cases and additional data along the lines discussed in the previous sub-chapter would contribute to a more significant overview, but it is fair to say that our expectations have been confirmed even with two regions in which the EU encountered varying local conditions and used different strategies. Whereas the EU supported an existing organisation as a whole in the Mercosur region, the political context in the Western Balkans required a 'piece-meal approach' focused on building issue-specific 'initiatives'. Beyond this, a number of other traits have become apparent and are discussed in turn.

Not the only game in town, but the best – influence by exposure

Especially our Mercosur case studies, but also individual ones from the Western Balkans, reveal that the nature of EU influence on regional cooperation is closely connected to its presence and to a certain sense of mission. The EU's role in promoting regional cooperation may well be seen as an effort to create constant exposure to its model and proposals. In doing so it increases the probability that other regions will follow its example instead of other choices. But whether this is successful or not hinges upon a number of further factors such as the adequacy of the EU's solutions to the problems at hand and the political support and local ownership that these solutions receive – and on the EU's will and ability to connect its proposals to conditions and incentives.

In many cases, the EU's role is that of a 'standard' of regional cooperation and integration. Its counterparts resort to this standard, measure themselves against it or may even define themselves in opposition to it. This becomes especially clear across the case studies analysed for Mercosur. One case in point is whenever the EU is seen as an instrument to build confidence and shepherd colleagues through the negotiations (as in the cases of FOCEM or Mercosur's macroeconomic coordination). While this pattern is less frequent when the EU has *a priori* stronger influence on its counterpart, we also witness it in the Western Balkans. The clearest case here is that of the accession-connoted CEFTA trade agreement. Whether and by whom the EU's 'standard' is taken up in negotiations depends on the local bargaining structures and interests. In most cases, smaller and often more pro-integrationist states (Uruguay, Paraguay or also Montenegro), or those that were

new to the negotiation table (the FR Yugoslavia after the toppling of Milošević) found it easier to relate to the EU's rules- and institution-based approach. The fact that, in most of our case studies, the EU had the ears of the 'technicians' before it had those of their political 'masters' does also speak in favour of its role as the 'standard'. In sum, often the EU impacts others less through direct means than by actively presenting itself as the leading example for regional integration.

This role as a standard of 'technical excellence' also comes with limitations beyond the afore-mentioned fact that technical influence does not always translate into political influence. The EU's rather technocratic approach focuses on strengthening governance capacity but often has an only indirect and limited effect on nurturing trust – which can be seen as a very important factor for successful and sustainable regional cooperation. While only further time can tell, it seems that the 'coal and steel' approach – fostering cooperation by binding states together through factual necessities – is not applicable everywhere. As a critical appraisal from within the Commission noted on its efforts towards Mercosur, being "ahead of the curve" (Commission 2005a: 1) – i.e. ahead of local interests and political support – does not always work when trying to achieve sustainable results.

Institutions and practice

Their focus on institutions is a defining moment for the EU's activities. However, our analysis has shown that institution-building does not mean that these institutions also work in practice. Mercosur establishing a macroeconomic convergence regime while the Argentinean government was doctoring its inflation numbers is certainly the most striking example, but also the afore-mentioned political irrelevance of Mercosur's parliament or the symbolically important but useless ten-day membership of Bulgaria and Romania in CEFTA2006 do also reflect this dissonance between institutions and practice. As put by a senior EEAS official referring to Mercosur, many projects were well implemented, but "they were not taken up" [#52]. The implicit expectation that 'spill overs' or even 'ever closer union' could be fostered from outside seem far-fetched. Our analysis has shown that the ultimate effect depends on the local context and political opportunities.

In terms of political practice, the question is how to deal with such situations. Two options are available in principle: either to continue and possibly even increase EU support

to regional cooperation or to stop the support altogether in light of the difficulties encountered in predicting its effect. Leaving aside other considerations like package deals or an intrinsic motivation of the EU to promote regional cooperation, our evidence suggests that it is worth maintaining support or even increasing it in such cases in which the EU expects that the target region might be prone to lesson-drawing. This has proven to be the most sustainable and effective path of EU influence, even above conditionality. At the same time, in this context in particular, the EU needs to factor in that its preferred recipes might be altered to meet local needs.

The EU's own practice since 2012 seems to indicate that it has decided to concentrate its efforts on regions where they are taken up or where it expects a direct dividend from closer cooperation. This has led to supporting regional cooperation in the Sahel (with a focus on security and migration, e.g. Union Européenne and Pays du G5 Sahel 2018) and to severely reducing it in the Eastern Partnership (Marciacq and Flessenkemper 2018: 12–4), to mention just two examples.

EU assistance – what value for money?

Beyond the dissonance between institutions and practice, our results also carry more immediate implications with regard to the effectiveness of EU promotion of regional cooperation. The first implication follows from the role of EU assistance. As we have seen in our assessment of EU instruments, the EU has spent considerable resources on technical assistance and development cooperation for Mercosur and the Western Balkans. At the same time, our process-tracing revealed that assistance had a significant, but only complementary impact on the cases of substantial institutional change. It assisted or enabled learning from the EU or allowed the receivers of EU influence to honour their commitments, but it never shaped institutional change completely. This suggests that EU impact can be relatively independent from the financial and technical resources spent, a result that sparks interesting discussions: in how far were the EU's resources adequately spent? In the case of Mercosur: could the same effect have been achieved with a smaller sum than the over 110 million € budgeted for over two decades of EU assistance?[285] In how far is a certain ground level or 'ambient noise' of assistance necessary for the other mechanisms to come to fruition?

[285] This sum is calculated from the data in table C.3 in the annex. It must remain approximate due to different currencies, fluctuations over time and as a result of unspent budgets.

This last question is closely related to the interaction between the different paths of EU influence, which is also interesting from a policy perspective. We observe that the assistance mechanism is complementary to other mechanisms but not a self-sufficient influence on institutional change. To mention an example, in the CEFTA2006 case-study, assistance played a supporting role. Once the countries in the region had agreed to negotiate free trade agreements amongst each other, it allowed them to surpass their own technical limitations. In a similar vein, during the transformation of the SP into the RCC, assistance did not have a significant impact on institutional change as such. Instead, it served to signal to the countries in the region that EU support was there to stay despite the wish to increase 'regional ownership'. This did probably have an appeasing influence in light of the fears that the EU would retreat from the region.

In between the conclusions and inspirations for further research a take home message shines through: EU impact in regional cooperation beyond its borders is there and it is considerable, but its degree and shape are often beyond the EU's own control. EU influence on regional cooperation is certainly as much a matter of EU action as it is one of local agency.

Annex A: Population of EU relationships with other regions

The list below shows the population of all relationships relevant for our research questions, i.e. all relationships between the EU and other regions towards which the EU seeks to engage as a region-builder. A relationship was included in this list if an EU strategy exists to promote regional cooperation and this is reflected in a strategic EU (or joint) policy document. These documents were retrieved from the websites of the different institutions in the 'RELEX family' and from the databases of international agreements maintained by the EEAS (EEAS 2013) and the Council (Council 2013a). In individual cases, policy documents that were not publicly available had to be requested from the EEAS, the Commission or the Council according to the procedure established by Regulation (EC) 1049/2011 on public access to documents (European Parliament and Council of the European Union 2001). The information was contrasted with the literature in order to ensure that no cases were left out from the survey. Cases were included in this list if the respective EU policy was active at least between the end of 2010 and mid-2012. A follow-up check in 2015 showed that there were no newer policies to add. In individual cases, newer documents have been added for informational purposes. As mentioned in the introduction, regions are most often not formally constituted with precise borders. Therefore some of the regions mentioned below overlap.

In order to structure the list, it distinguishes between different kinds of relationships: (a) institutionalised relationships between the EU and other regions with a continental scope; (b) relationships with formalised sub-regional organisations; (c) relations with groups of countries that are not (yet) established as formal organisations; (d) relationships in the context of the ENP and (e) relationships in the context of accession.

Table A.1: Population of EU relationships with other regions

#	Name	Policy Document(s)	Brief description / Comments
(a) institutionalised bi-regional relationships			
1	EU-Latin America and the Caribbean	Council 2013c: EU-CELAC Action Plan EEAS 2011: Regional Indicative Planning Latin America Commission 2009: EU and Latin America Commission 2009: EU and Latin America	EU cooperation with CELAC (Community of Latin American and Caribbean States) includes a focus on regional cooperation and integration, both on a continental level as well as referring to cooperation and trade relations between the EU and the different sub-regional organisations in the region. The EU strategy on cooperation with Latin America and the Caribbean does also include increased cooperation with the Organization of American States (OAS), to which the EU is a permanent observer. More detailed info on EU cooperation with the OAS can be found here: OAS 2013: Permanent Observer EU
2	EU-Africa	EU, AU & Morocco 2010: Action Plan 2011-2013	Since Morocco is the only African state that is not a member of the African Union (AU), EU

#	Name	Policy Document(s)	Brief description / Comments
		EU, AU & Morocco 2014: Roadmap 2014-2017	cooperation with the African continent includes AU states and Morocco as individual co-signatories on the African side.
3	EU-Asia (ASEM)	Commission 2010f Regional Strategy for Asia 2007-2013 - Multi-Annual Programme	From being a meeting between the then 15 EU and 7 ASEAN members, the Asia-Europe Meeting (ASEM) evolved into a forum between the EU, its members, 21 Asian states and the ASEAN secretariat. The EU supports and largely finances initiatives to encourage further cooperation in its context.
4	EU-East Asia	Council 2012d: Guidelines on Foreign and Security Policy in East Asia	The ASEAN Regional Forum (ARF) is a regional security forum established to bring together actors with a stake in South-East Asian security. While the aim of the meetings is to maintain and increase security in the ASEAN region, the participation of further Asian (e.g. China, India, Japan, DPRK) and international partners (US, EU, etc.) makes it a bi-regional initiative. EU participation takes place under a CFSP mandate.
5	EU-Europe (Council of Europe)	Council of Europe and European Union 2007 MoU on Cooperation TEU (Lisbon 2010): Article 6(2) (EU accession to the European Convention on Human Rights)	Cooperation and EU support are channelled through funding and institutionalised political meetings, the establishment of respective representations and the EU acceding to the European Convention on Human Rights.
6	EU-OSCE[286]	Organization for Security and Co-Operation in Europe 2006: Rules of Procedure	Informal cooperation between the Organization for Security and Co-operation in Europe (OSCE) and the Commission exists since the Helsinki Act from 1975 and was formalised in November 2006 by including the Council Presidency and the Commission in the OSCE rules of procedure.
(b) relationships with formal sub-regional organisations			
7	EU-League of Arab States	European Union and League of Arab States 2012a: Ministerial Meeting European Union and League of Arab States 2012b: Joint Work Programme	Regular meetings are held on a ministerial level between the League of Arab States and the EU. While the Joint Programme does not include any objectives specifically to encourage further regional cooperation, the fact that interaction is held at this level expresses EU support for the regional format.

[286] The EU's relations with the OSCE and the CoE are presented as two relationships because they are governed by different strategies / memoranda.

#	Name	Policy Document(s)	Brief description / Comments
		Ashton 2012: Remarks at EU-LAS Ministerial	
8	EU-West Africa (ECOWAS / UEMOA)	Communaute Européenne and Afrique de l'Ouest 2008: Stratégie régionale EPA negotiating directives Council decision 17 June 2002	EU commits to support the further regional integration of West Africa in its joint cooperation strategy with the Economic Community of West African States (ECOWAS) and the Union Économique et Monétaire Ouest Africaine (UEMOA), one of two envisaged currency unions inside ECOWAS. Negotiations on a regional trade agreement (Economic Partnership Agreement – EPA) are conducted with ECOWAS.
9	EU-Southern Africa (SADC)	European Community and Southern African Region 2008: Regional Strategy Commission, SADC et al. 2015: Regional Indicative Programme	EU support to the Southern African Development Community (SADC) concentrates on encouraging further regional integration. A trade agreement (Economic Partnership Agreement) between the EU and most of SADC's members was signed in 2014 (other members negotiate with the EU as part of other groups).
10	EU-Central, Eastern and Southern Africa (COMESA)	European Community and Region of Eastern and Southern Africa and the Indian Ocean 2008: Regional Strategy EPA negotiating directives Council decision 17 June 2002 Commission, COMESA, et al.2015: Regional Indicative Programme	Central and Eastern Africa are dealt within a joint strategy for the Eastern and Southern African region, also including several central African states. COMESA (the Common Market of Eastern and Southern Africa) spans from Northern Africa to Southern Africa, covering most of the central and eastern African states.
11	EU-Eastern Africa	European Community and Region of Eastern and Southern Africa and the Indian Ocean 2008: Regional Strategy Commission, EAC, et al.2015: Regional Indicative Programme Commission, EAC, et al.2015: Regional Indicative Programme	Eastern Africa is dealt within a joint strategy for the Eastern and Southern African region. The EAC (Eastern African Community) includes Burundi, Kenya, Rwanda, Uganda and Tanzania.

#	Name	Policy Document(s)	Brief description / Comments
12	EU-IOC (Indian Ocean region)	European Community and Region of Eastern and Southern Africa and the Indian Ocean 2008: Regional Strategy Commission, IOC, et al.2015: Regional Indicative Programme	The Indian Ocean Region is dealt within a joint strategy for the Eastern and Southern African region. The IOC (Indian Ocean Commission) is formed by Comoros, Mauritius, Seychelles, Madagascar and the French department of Reunion.
13	EU-Central Africa	Communaute Européenne and Afrique Centrale 2009: Stratégie régionale	The EU Strategy for cooperation with Central Africa includes the relationship with three regional organisations with partly overlapping memberships: CEMAC (Communauté économique et monétaire de l'Afrique centrale), CEEAC (Communauté économique des Ètats de l'Afrique centrale) and CEPGL (Communauté économique des pays des Grands Lacs).
14	EU-Caribbean (CARICOM, OECS, Cariforum)	European Commission and Caribbean Region 2008: Regional Strategy EPA negotiating directives Council decision 17 June 2002	EU cooperation with the Caribbean is concentrated on relations with CARICOM (Caribbean Community) and OECS (Organization of Eastern Caribbean States). Trade relations between the EU and the Caribbean region are conducted by the Cariforum for the Caribbean side, a format that gathers all CARICOM members except Monserrat (a UK territory) as well as Cuba and the Dominican Republic. In addition, the European Commission has observer status at the Association of Caribbean States.
15	EU-Andean Region (Andean Community)	Commission 2007d: Andean Community Strategy Paper	Cooperation between the Andean Community (CAN) and the EU did also aim at the conclusion of a biregional trade agreement. After the withdrawal of Ecuador and Bolivia from negotiations in 2008, the trade agreement was concluded in 2012 with Colombia and Peru only. Ecuador decided to accede to the agreement later on – its accession is pending ratification.
16	EU-Central America	Commission 2007c: Central America Strategy	EU cooperation with Central America as a region began in 1994 with the so-called 'San José Dialogue', a process initiated to support the peace process in the region by engaging Central American states in a regional dialogue. The EU strategy focuses on support to SICA (Sistema de Integración Centroamericana – Central American Integration System) with a focus on institution-building. An association

#	Name	Policy Document(s)	Brief description / Comments
			agreement including a trade agreement was signed on 2012 with all members of SICA except Belize and the Dominican Republic (which negotiate with the EU in the Cariforum group – see above). Due to the 'graduation' of most Latin American countries, now considered middle-income countries, Central America is the only region remaining with a sub-regional support programme financed from EU ODA from 2015 on.
17	EU-Southern Cone (Mercosur)	Commission 2007g: Mercosur Regional Strategy Commission 2010b: Mercosur Mid-Term Review and Regional Indicative Programme	Cooperation between Mercosur (Mercado Común del Sur - Common Market of the South) and the EU started in 1992 with EU support to the institutionalization of Mercosur and has continued since then. In 2000, the EU and Mercosur started negotiations on an association agreement, including a trade agreement. These negotiations were interrupted in 2004 and restarted in 2010.
18	EU-Persian Gulf region (GCC)	European Economic Community and Gulf Cooperation Council 1988: EEC-GCC Cooperation Agreement	Cooperation between the EU and the Gulf Cooperation Council started in 1988 with the signature of an agreement between both organisations. The agreement provides for regular ministerial meetings attended by the HR/VP for the EU. Several attempts to negotiate a trade agreement on the basis of the 1988 agreement have failed so far.
19	EU-Pacific region	European Community and Pacific Region 2008: Regional Strategy EPA negotiating directives Council decision 17 June 2002	The EU supports regional cooperation in the region through cooperation with the Pacific Islands Forum Secretariat, the Secretariat of the Pacific Community (SPC) and PICTA (Pacific Islands Countries Trade Agreement, the trade agreement of the Pacific Islands Forum)
20	EU-South East Asia (ASEAN)	EU and ASEAN 2012: Plan of Action Commission 2010d: Regional Strategy Asia Trade negotiating directives of 2007 (from 2009 pursued in a bilateral mode) HR/VP & Commission 2015b: ASEAN partnership	The relationship between the EU and the Association of South-East Asian Nations (ASEAN) belongs to the most long-standing ones between the EU and other regional organisations. Under its current strategy, the EU has committed to support ASEANs further regional cooperation through an exchange of experiences and funding for specific integration measures (such as regional trade). Negotiations for a bi-regional trade agreement were disregarded in favour of a bilateral approach with individual ASEAN countries in 2009.
21	EU-Southern Asia (SAARC)	Commission 2010d: Regional Strategy Asia	EU support to the South Asian Association for Regional Cooperation (SAARC) focuses on encouraging regional integration in selected technical policy fields, such as disaster risk

#	Name	Policy Document(s)	Brief description / Comments
			reduction and environmental issues. SAARC is formed by Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.
22	EU-Horn of Africa	European Community and Region of Eastern and Southern Africa and the Indian Ocean 2008: Regional Strategy Council 2011a: A Strategic Framework for the Horn of Africa Commission, IGAD, et al. 2015: Regional Indicative Programme	The Commission's strategy is focused on cooperation with IGAD (Intergovernmental Authority on Development), formed by Ethiopia, Djibouti, Kenya, Somalia, Sudan, South Sudan, and Uganda. The Council strategy from 2011 builds upon the previous document and maintains its focus on encouraging regional cooperation and adds on security matters.
(c) relations with groups of countries			
23	EU-Sahel	Commission & HR/VP2011: Strategy for Security and Development in the Sahel	
24	EU-Central Asia	Council 2007: EU-Central Asia Strategy Council 2012b: Conclusions on Central Asia Council 2015: Conclusions on EU Strategy for Central Asia Commission 2007b: Regional Strategy Central Asia	The EU's Central Asia strategy seeks to encourage cooperation between the five Central Asian countries considered (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) on specific policy fields (e.g. combating the production of drugs or on water management), but does so addressing them individually and by funding cooperative efforts.
25	EU-Arctic region	Commission & HR/VP 2012b: An EU policy towards the Arctic. EU, Iceland, Norway and Russia 2006:Northern Dimension Policy Framework	The current aim of the EU is to enter the region as an actor (i.e. by becoming observer in the Arctic Council), regional cooperation is pursued and supported through the Northern Dimension and participation in the BEAC (Barents Euro-Arctic Council), mostly by financing projects. The Northern Dimension does also reflect relations with the Council of the Baltic Sea States (CBSS) and the Nordic Council of Ministers (NCM).
(d) sub-regional and multi-country initiatives in the ENP			

#	Name	Policy Document(s)	Brief description / Comments
26	EU-Eastern Partnership	Commission & HR/VP2012a et seq.: ENP Implementation Regional Report Commission n.a. [2010]: ENPI Regional East Programme DG DEVCO 2013: Regional Programmes Eastern Partnership & Russia	Regional cooperation in the framework of the Eastern dimension of the European Neighbourhood Policy is organized in the so-called 'Eastern Partnership' (EaP) and takes place in two 'modes': multilateral cooperation and multi-country cooperation. Multilateral cooperation does in principle include all EaP participants and focuses on specific themes such as energy security or democracy. Multi-country cooperation is focused on cooperation between two or more states, for example on border management. Where such projects include more than two non EU-members, they fall under our definition of regional cooperation.
27	EU-Black Sea region	Commission 2007: Black Sea Synergy - A new regional cooperation initiative Commission & HR/VP 2015a: Black Sea Synergy Review	The Black Sea Synergy supports regional cooperation between states around the Black Sea, e.g. on maritime issues. Part of the policy is currently suspended in response to the annexation of Crimea by Russia.
28	EU-Euro-Med / Union for the Mediterranean	Commission 2010a: Regional Strategy and Regional Indicative Programme for the Euro-Mediterranean Partnership Commission 2007a: Regional Strategy and Regional Indicative Programme for the Euro-Mediterranean Partnership	Under the umbrella of the EuroMed Partnership / Union for the Mediterranean (UfM), both bilateral initiatives (e.g. bilateral trade agreements) and regional cooperation projects coexist.
29	EU-Maghreb	Commission & HR/VP 2012c: Closer cooperation and regional integration in the Maghreb	The EU strategy seeks to encourage regional cooperation and integration between the five Maghreb countries (Algeria, Libya, Mauritania, Morocco and Tunisia). In this context, the EU provides financial and technical support to the Arab-Maghreb Union (UMA) and encourages regional cooperation on infrastructure or security matters.
30	EU-Arab Mediterranean Countries (AMFTA)	Commission n.a. [after 2009]: Support to the implementation of the Arab-Mediterranean Free Trade Agreement .	EU support to the establishment of the Arab-Mediterranean Free Trade Agreement (AMFTA, also known as Agadir Agreement), which is formed by Morocco, Tunisia, Egypt and Jordan. An association agreement with the EU is among the conditions to join the Agadir Agreement.
(e) accession-related sub-regional cooperation			

#	Name	Policy Document(s)	Brief description / Comments
31	EU-Western Balkans	Commission 1996: Prospects for regional cooperation Council 1997: Conclusions of 29/30 April European Council 1999: Cologne European Council. Presidency conclusions Sarajevo Summit Declaration 1999a Stability Pact for South-Eastern Europe 2007: Statute of the Regional Co-operation Council Commission & Stability Pact 2010: Proposals on the Regional Ownership Process Commission, Stability Pact et al. 2002: Danube Co-Operation Process	EU encouragement of regional cooperation in the Western Balkans takes places through a myriad of initiatives and organisations focusing on different sectors and aspects of regional cooperation (e.g. trade, security, etc.). Many of these initiatives were developed in the framework of the EU-sponsored Stability Pact (now Regional Cooperation Council), itself a regional cooperation instrument initiated by the Cologne European Council in 1999. A European Commission strategy to encourage regional cooperation was drafted already in 1996. Virtually all these initiatives do also pursue the objective of strengthening the links of the Western Balkans with its neighbours; therefore the membership of several initiatives spans beyond the Western Balkans and includes further countries in South-East Europe. For example, the Regional Cooperation Council (RCC) includes Turkey as a beneficiary.

The figure below places the 15 pre-selected EU relationships with other regions along the intensity of the independent variable 'Use of EU instruments to encourage regional cooperation'. The figure reflects the estimates for the three components of the independent variable: trade and economic relations (y axis), development and technical assistance (x axis) and political relations (size of the bubble).

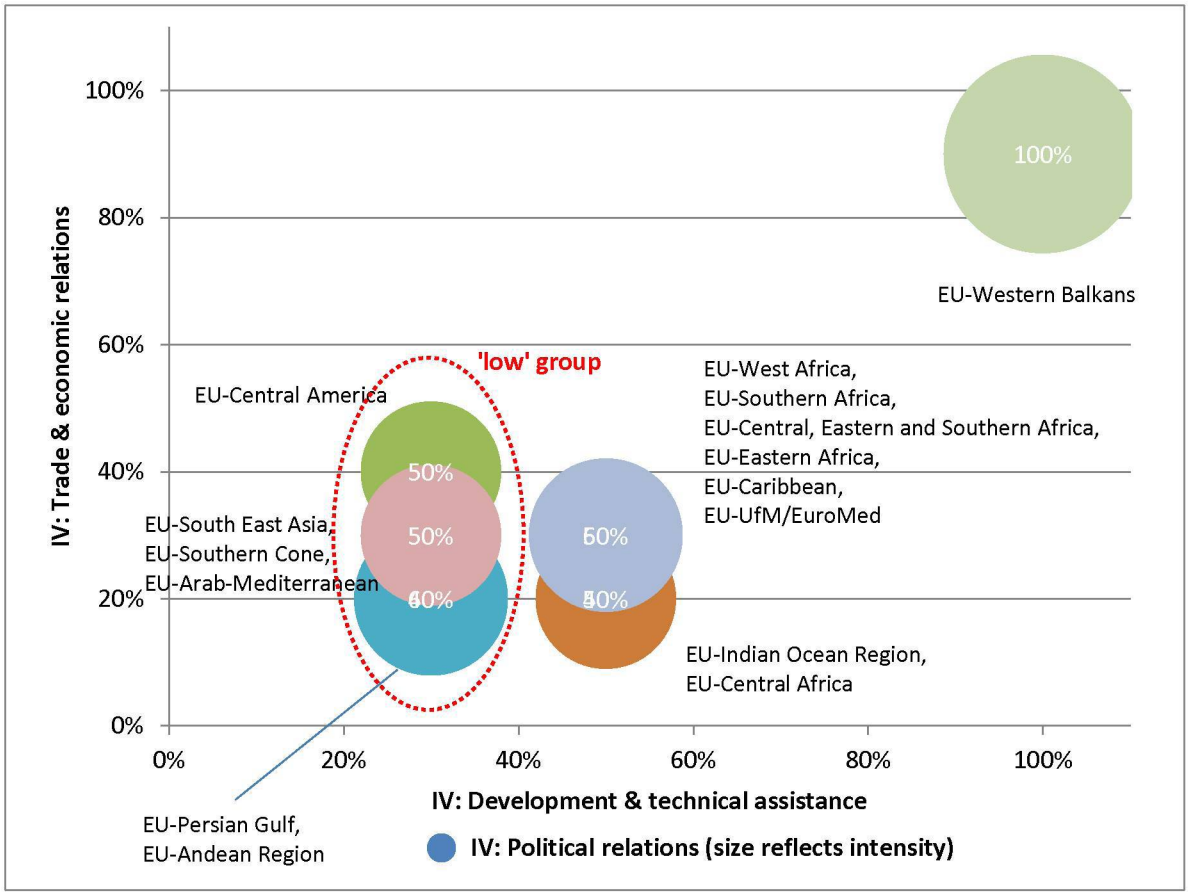

Figure A.1: Pre-selected regional relationships and estimated array along the independent variable

Annex B: List of interviews

Where the names of interviewees are not mentioned, these requested to remain anonymous. In individual cases, interviewees requested also that their precise position and duty be mentioned in an unspecific way (e.g. 'EU official' instead of the specific institution). The codes assigned to the interviews do not reflect the chronological order in which the interviews took place. Whenever more than one interviewee participated in the conversation, each person is coded with an individual number. One interviewee is listed with two codes reflecting different positions held by this person. An attribution to the same code would allow his or her identification.

Code	Name	Position	Place and date of the interview	Mentions in the text (page numbers)
#01	-	Former EU senior official	Brussels, May 17th 2011	#01 25, 26, 27, 28, 146, 147, 148, 154, 156, 157, 158, 170, 186, 192, 206, 221, 222, 224, 349
#02	Félix Peña	Currently Director of the Institute for International Trade at Standard Bank Foundation, former Undersecretary of Economic Integration of the Argentine Ministry of Foreign Affairs and, as such, National Coordinator of the Common Market Group of the Mercosur (1991-1992), former Undersecretary of Foreign Trade at the Ministry of Economy of Argentina and member of the Common Market Group of Mercosur (1998-99), former member of the High-Level Group for the preparation of a protocol for the Mercosur Parliament (2005).	Buenos Aires, August 31st 2012	#02 145, 154, 167, 204, 208, 209, 225, 349
#03	Jorge Valdez Carrillo	then Peruvian	Brussels,	#03 26, 350

		ambassador to the EU, held several high-ranking posts in the Peruvian foreign ministry and participated in negotiations between the Andean Community and the EU	May 20th 2011	
#04	Javier Fernández Fernández	Head of Unit 'Latin America', DG External Policies, European Parliament	Brussels, October 19th 2011	#04 25, 29, 158, 159, 207, 350
#05	-	EEAS senior official	Brussels, May 17th 2011	#05 27, 28, 29, 30, 350
#06	-	European Commission official, DG DEVCO	Brussels, May 20th 2011	#06 146, 147, 148, 156, 350
#07	-	European Commission official, DG DEVCO	Brussels, May 20th 2011	#07 26, 350
#08	-	EEAS official	Brussels, May 17th 2011	#08 29, 350
#09	Mónica Silvestri	Training coordinator, CEFIR	Montevideo, September 10th 2012	#09 150, 193, 350
#10	-	Head of Section, Argentinean representation to the EU	Brussels, July 17th 2012	#10 137, 350
#11	-	Head of Section, Brazilian representation to the EU	Brussels, July 18th 2012	#11 350
#12	-	Economic and Trade Affairs official, Brazilian representation to the EU	Brussels, June 28th 2012	#12 142, 350
#13	-	Former official of the European Commission delegation to Uruguay	Brussels, June 27th 2012	#13 25, 29, 133, 146, 150, 156, 187, 350
#14	-	Former Council official with a leading position on Western Balkans policy	Brussels, June 17th 2012	#14 28, 242, 246, 247, 249, 252, 253, 255, 264, 277, 289, 350
#15	-	EU official at the EU delegation to Uruguay	Montevideo, September 4th 2012	#15 27, 29, 142, 150, 156, 221, 224, 350

#16	-	Economic Affairs Expert, Mercosur Secretariat	Montevideo, September 7th 2012	#16 185, 187, 189, 190, 191, 195, 196, 350
#17	-	Uruguayan representative to Mercosur, former coordinator for trade affairs in the Ministry for Economic Affairs; participated in the negotiations that led to Mercosur's FOCEM in 2003/2004	Montevideo, September 7th 2012	#17 143, 148, 168, 173, 174, 216, 219, 220, 221, 224, 351
#18	Bruno Alarcón	Official in the Secretariat of the Mercosur Parliament working on interparliamentary affairs	Montevideo, September 5th 2012	
#19	Óscar Casal	Former official of the CPC and the Mercosur Parliament	Buenos Aires, August 30th 2012	#19 137, 142, 150, 159, 195, 200, 201, 202, 203, 204, 205, 207, 208, 209, 210, 351
#20	Felipe Frydman	Former senior official at the Argentinean MFA, former director for international economic negotiations, former director for Mercosur, former economic attaché at the Argentinean representation to the EU	Buenos Aires, August 29th 2012	#20 25, 26, 143, 147, 148, 149, 150, 153, 154, 157, 162, 164, 171, 192, 196, 221, 222, 224, 351
#21	Álvaro Padrón	Programme Director, Friedrich-Ebert Stiftung Uruguay (FESUR)	Montevideo, September 11th 2012	#21 201, 210, 351
#22	-	Professor at the Universities of Buenos Aires (UBA) and San Martín and consultant	Buenos Aires, August 30th 2012	#22 162, 181, 185, 190, 192, 195, 196, 351
#23	-	Former head of staff to the president of the CRPM	Montevideo, September 5th 2012	#23 167, 351
#24	Pablo Barrone	Official at the Uruguayan representation to	Montevideo, September 5th 2012	

		Mercosur		
#25	-	Counsellor, Brazilian representation to ALADI and Mercosur; participated in the 2004 negotiations on the establishment of FOCEM	Montevideo, September 5th 2012	#25 147, 154, 158, 167, 168, 174, 175, 216, 221, 224, 351
#26	-	Official, Secretariat of the Mercosur Parliament	Montevideo, September 4th 2012	#26 204, 205, 352
#27	-	Senior official, FOCEM secretariat	Montevideo, September 7th 2012	
#28	Eduardo Sigal	Former Undersecretary for Latin-American Economic Integration and Mercosur in the Argentinean Foreign Ministry and Argentinean national coordinator for Mercosur; participated in the negotiations that led to Mercosur's FOCEM in 2003/2004 as well as in the negotiations with the EU in 2004 and 2010.	Phone interview, October 23rd 2012	#28 142, 149, 157, 170, 173, 174, 207, 352
#29	-	Official in the Secretariat of the Mercosur Parliament	Montevideo, September 5th 2012	
#30	Sergio Iaciuk	Senior official at the Argentinean representation to Mercosur and ALADI; formerly director for Institutional matters of Mercosur at the Argentinean MFA, formerly part of the working group that negotiated the Protocol of Olivos	Montevideo, September 6th 2012	#30 219, 352
#31	-	Cabinet member, European Commission	Brussels, November 7th 2012	#31 235, 246, 247, 252, 253, 352
#32	-	Senior official of the European Commission, DG Enlargement	Brussels, November 6th 2012	#32 246, 247, 249, 250, 253, 255, 277, 301, 352
#33	-	European Commission official working on	Brussels, November	#33 247, 249, 253, 255, 287, 295, 298,

		regional cooperation, DG Enlargement	7th 2012	301, 352
#34	-	Official in charge of rule of law projects at the EU Office in Kosovo (2005-2009), European Commission	Phone interview, June 5th 2012	#34 235, 295, 296, 352
#35	-	CEFTA official, formerly expert t at the Trade WG of the Stability Pact	Brussels, January 15th 2013	#35 262, 264, 296, 353
#36	-	RCC official, former senior political official at the Bulgarian MFA, i.a. at the Bulgarian representation to the EU	Brussels, January 15th 2013	#36 262, 263, 264, 267, 270, 275, 276, 277, 279, 353
#37	-	European Commission official, DG Trade	Brussels, January 16th 2013	#37 25, 29, 147, 154, 155, 353
#38	-	Former official at the Working Table II of the Stability Pact	Brussels, January 16th 2013	#38 247, 250, 260, 261, 263, 264, 265, 267, 268, 276, 277, 279, 289, 290, 353
#39	-	Official in the staff of Mercosur's High Representative	Phone interview, February 5th 2013	#39 145, 167, 353
#40	Francisco Cannabrava	Official working on Mercosur trade negotiations, Brazilian mFA	Brasília, February 25th 2013	#40 143, 144, 148, 154, 155, 157, 158, 167, 353
#41	Jérôme Poussielgue	EU official, cooperation section, EU delegation to Brazil; previously at the EU delegation to Uruguay	Brasília, February 26th 2013	#41 150, 255, 353
#42	Simone Pieri	Head of the Political, Economic and Public Affairs Section, EU delegation to Brazil	Brasília, February 26th 2013	
#43	-	International Negotiations Specialist, CNI, National Confederation of Industry	Brasília, February 27th 2013	
#44	Luiz Galvão	Head of Division for Europe III, in charge of the political chapter of	Brasília, February 28th 2013	#44 151, 353

			the EU-Mercosur Association Agreement,Brazilian MFA		
#45		-	Official, Division for Economic Coordination and Trade Affairs of Mercosur (BMC), Brazilian MFA	Brasília, February 28th 2013	
#46		-	Senior official working on trade matters, previously on political affairs, EU delegation to Brazil	Brasília, March 1st 2013	
#47		-	Senior official, Directorate General for Integration and Mercosur, Ministry of Foreign Affairs of Uruguay	Montevideo, September 10th 2012	#47 148, 149, 152, 185, 216, 219, 221, 224, 354
#48		-	EEAS official	Brussels, March 26th 2013	#48 142, 148, 151, 156, 354
#49		-	Serbian diplomat, Serbian representation to the EU, formerly involved in the negotiation of regional cooperation initiatives	Brussels, March 25th 2013	#49 235, 254, 287, 295, 354
#50		-	Serbian diplomat and trade ministry official, formerly involved in the negotiation of CEFTA2006	Brussels, March 25th 2013	#50 260, 264, 265, 267, 354
#51		-	EEAS official	Brussels, March 25th 2013	#51 235, 246, 247, 253, 277, 287, 354
#52	Adrianus Koetsenruijter		Head of Division, Mercosur Countries, EEAS	Brussels, March 26th 2013	#52 27, 29, 147, 149, 155, 203, 338, 354
#53		-	EU official, Cooperation section, EU delegation to Uruguay	Montevideo, September 4th 2012	#53 29, 147, 148, 149, 150, 354
#54		-	Representative of the Friedrich-Ebert-Foundation	Buenos Aires, August 28th 2012	#54 203, 210, 354
#55	Edgar Lugo		Parliamentary Secretary (i.e. head of the secretariat) of the Mercosur Parliament; former member of the	Montevideo, September 5th 2012	#55 159, 204, 208, 210, 354

		High-Level Group for the preparation of a protocol for the Mercosur Parliament (2005).		
#56	Hugo Varsky	Senior official, Subdivision American Economic Integration and Mercosur, Ministry of Foreign Affairs, Argentina	Buenos Aires, August 30th 2012	#56 157, 171, 190, 354
#57	-	Official working on International Affairs, Mercosur Parliament	Montevideo, September 5th 2012	#57 159, 218, 355
#58	-	Official at the Mercosur Secretariat, former coordinator for Mercosur at the Argentinean Ministry of Finance (1998-2007)	Montevideo, September 7th 2012	#58 187, 189, 191, 195, 196, 216, 355
#59	-	Official in charge of regional cooperation initiatives, MFA of Croatia	Zagreb, June 10th 2013	#59 247, 275, 277, 281, 282, 290, 291, 299, 355
#60	-	Senior official at the Croatian Ministry of Regional Development and EU Funds	Zagreb, June 11th 2013	#60 301, 355
#61	-	Former assistant minister, Ministry of European Integration of Croatia	Zagreb, June 11th 2013	#61 235, 253, 261, 264, 265, 266, 269, 271, 275, 281, 282, 355
#62	Tatjana Tomić	Deputy Head of the Croatian State Office for Trade Policy, Croatian representative in the SP Trade WG from 2005 on	Zagreb, June 12th 2012	#62 263, 265, 268, 269, 270, 355
#63	Zrinka Horvatić	Counsellor to the Head of the State Office for Trade Policy, Croatian representative in the SP Trade WG from 2003 on	Zagreb, June 12th 2012	#63 263, 264, 266, 267, 268, 269, 282, 355
#64	-	Official at the Serbian EU Integration Office, SEIO	Belgrade, June 18th 2013	#64 247, 355
#65	-	Serbian official, Ministry of Foreign	Belgrade, June 20th	#65 28, 250, 263, 264, 265, 266, 267,

		and Internal Trade and Telecommunications, formerly participated in the Stability Pact and in the CEFTA2006 negotiations.	2013	268, 269, 270, 355
#66	-	Official, Department for Political Criteria, Serbian EU Integration Office, SEIO	Belgrade, June 20th 2013	#66 235, 355
#67	-	Official, Department for Cross-border and Transnational Cooperation Programmes, Serbian EU Integration Office (SEIO)	Belgrade, June 18th 2013	#67 235, 356
#68	-	Official, Department for Cross-border and Transnational Cooperation Programmes, Serbian EU Integration Office (SEIO)	Belgrade, June 18th 2013	
#69	-	Senior official in charge of regional cooperation policies, Serbian Ministry of Foreign Affairs	Belgrade, June 19th 2013	#69 279, 295, 296, 299, 356
#70	-	Senior official working on political affairs, EU delegation to Serbia	Belgrade, June 20th 2013	#70 253, 356
#71	-	Official working on technical cooperation, EU delegation to Serbia	Belgrade, June 20th 2013	
#72	-	Former senior official at Working Table II of the Stability Pact	Brussels, July 10th 2013	#72 28, 242, 250, 263, 264, 266, 269, 270, 276, 289, 293, 294, 295, 297, 298, 299, 301, 356
#73	-	Senior official at the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina; former CEFTA contact point for BiH, took part in the Stability Pact Working Group on Trade	Sarajevo, December 4th 2013	#73 235, 247, 250, 260, 261, 266, 267, 268, 269, 270, 356
#74	-	Official at the BiH Ministry of Foreign	Sarajevo, December	#74 269, 356

		Trade and Economic Relations	3rd 2013	
#75	-	Senior official, Regional Cooperation Council; former Macedonian Stability Pact Coordinator (until 2008), former head of the Macedonian representation to the EU (from 1996 on)	Sarajevo, December 5th 2013	#75 247, 268, 276, 278, 287, 299, 356
#76	Jelica Minić	Senior official, Regional Cooperation Council, former SP coordinator of Serbia-Montenegro, former Assistant Foreign Affairs Minister for Economic Relations of the FR Yugoslavia (2000-2004)	Phone interview, December 10th 2013	#76 235, 261, 264, 269, 279, 292, 297, 298, 299, 357
#77	Carlos "Chacho" Álvarez	Secretary-General of ALADI, former President of the Mercosur Committee of Permanent Representatives (CRPM, 2005-2009), former Vice-President of Argentina (1999-2000)	Montevideo, September 6th 2012	#77 158, 162, 185, 196, 217, 218, 220, 221, 357
#78	-	Ambassador to the EU of a Mercosur state	Brussels, June 27th 2012	#78 154, 157, 158, 171, 357
#79	-	Senior EEAS official working on Latin America	Brussels, January 17th 2013	#79 28, 357

Annex C: Tables and data

Table C.1: scores and ranks for government effectiveness and rule of law for the Mercosur 4 countries. Source: Worldwide Governance Indicators, Kaufmann *et al.* 2010.

Argentina				Brazil				Paraguay				Uruguay			
GE		RL		GE		RL		GE		RL		GE		RL	
Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
0,27	62,44	0,04	52,63	-0,15	50,73	-0,33	41,63	-0,95	15,61	-0,82	25,36	0,50	68,78	0,43	61,24
0,38	67,80	-0,04	50,24	-0,11	52,20	-0,31	41,63	-1,09	11,22	-1,07	16,75	0,45	70,24	0,50	66,51
0,06	58,54	-0,20	44,98	0,05	58,05	-0,30	42,58	-1,17	9,76	-1,08	15,79	0,43	68,78	0,53	64,11
-0,26	46,83	-0,82	25,36	0,03	58,54	-0,30	44,98	-1,09	10,73	-1,17	11,00	0,58	72,68	0,59	65,55
-0,01	58,54	-0,82	23,92	0,18	61,46	-0,40	40,67	-0,91	17,07	-1,10	14,83	0,50	69,76	0,59	68,90
-0,02	58,05	-0,83	21,53	0,07	60,49	-0,39	40,19	-0,90	15,61	-1,04	15,31	0,35	66,83	0,42	63,64
-0,09	53,66	-0,58	34,45	-0,10	52,68	-0,49	37,32	-0,79	25,37	-1,04	15,31	0,51	69,27	0,43	62,20
-0,04	54,63	-0,60	33,49	-0,23	46,34	-0,41	43,54	-0,89	20,00	-1,03	14,83	0,39	65,85	0,47	63,64
-0,03	53,40	-0,63	32,54	-0,20	49,03	-0,43	42,11	-0,85	19,90	-1,06	14,83	0,51	70,39	0,52	65,55
-0,13	50,97	-0,70	28,85	-0,09	51,94	-0,37	43,27	-0,87	18,93	-1,00	16,83	0,51	68,93	0,55	66,83
-0,33	45,93	-0,71	29,38	-0,10	51,20	-0,22	48,82	-0,92	18,66	-0,96	17,54	0,60	70,33	0,68	69,19
-0,19	48,33	-0,62	32,23	-0,04	53,59	0,00	54,98	-0,94	18,18	-0,91	20,38	0,64	70,81	0,70	70,14
-0,14	49,29	-0,59	32,86	-0,12	49,76	-0,01	56,34	-0,84	20,85	-0,85	23,00	0,56	69,67	0,65	69,01
-0,25	45,45	-0,71	28,91	-0,12	50,24	-0,11	51,66	-0,90	19,62	-0,87	21,33	0,44	66,51	0,54	66,35
-0,06	53,85	-0,56	33,67	-0,07	53,30	-0,29	44,98	-0,94	17,25	-1,00	17,36	0,50	69,20	0,54	65,92
-0,06	53,53	-0,63	32,38	-0,10	52,07	-0,32	42,93	-0,90	18,42	-1,04	16,27	0,50	69,47	0,54	65,95

Table C.2: scores and ranks for government effectiveness and rule of law for the Western Balkans 8 countries Source: Worldwide Governance Indicators, Kaufmann *et al.* 2010.

	Albania				Bosnia and Herzegovina				Croatia				Macedonia			
	GE		RL		GE		RL		GE		RL		GE		RL	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	
98	-0,69	24,88	-1,20	11,00	-1,08	12,20	-0,64	29,67	0,06	57,56	-0,34	40,67	-0,62	28,78	-0,48	
00	-0,83	20,00	-1,24	10,53	-0,86	17,56	-0,64	32,06	0,31	65,37	0,01	51,67	-0,78	22,44	-0,66	
02	-0,57	32,68	-0,92	21,05	-0,97	13,17	-0,67	31,10	0,34	64,88	-0,17	48,33	-0,50	34,63	-0,63	
03	-0,61	31,22	-0,88	21,53	-0,77	22,44	-0,69	28,71	0,38	66,83	-0,05	51,20	-0,33	43,90	-0,56	
04	-0,44	40,49	-0,76	26,32	-0,57	31,71	-0,49	37,32	0,47	69,76	0,05	54,55	-0,13	53,66	-0,25	
05	-0,63	31,22	-0,81	25,84	-0,72	26,83	-0,56	35,89	0,48	68,29	0,09	55,50	-0,28	45,85	-0,37	
06	-0,46	39,02	-0,73	27,75	-0,60	30,24	-0,50	38,76	0,56	70,73	-0,05	52,63	-0,10	53,17	-0,56	
07	-0,38	42,23	-0,70	27,75	-0,81	21,84	-0,48	38,28	0,47	68,93	0,04	55,02	-0,20	49,51	-0,46	
08	-0,35	44,17	-0,64	32,69	-0,59	33,98	-0,41	40,38	0,57	71,36	0,08	55,29	-0,02	54,85	-0,37	
09	-0,24	48,33	-0,53	36,49	-0,70	27,75	-0,36	44,08	0,61	71,29	0,14	58,29	-0,09	51,67	-0,27	
10	-0,27	45,45	-0,44	40,76	-0,73	27,75	-0,37	43,60	0,63	70,33	0,17	60,19	-0,15	49,76	-0,29	
12	-0,28	44,98	-0,57	34,60	-0,47	39,23	-0,23	48,34	0,70	72,25	0,21	59,72	-0,07	51,67	-0,24	
an	-0,48	37,06	-0,78	26,36	-0,74	25,39	-0,50	37,35	0,47	68,13	0,02	53,59	-0,27	44,99	-0,43	
an	-0,45	39,76	-0,74	27,03	-0,72	27,29	-0,50	37,80	0,48	69,34	0,05	54,78	-0,18	49,64	-0,41	

Table C.2 (continued): scores and ranks for government effectiveness and rule of law for the Western Balkans 8 countries
Source: Worldwide Governance Indicators, Kaufmann *et al.* 2010.

	Montenegro				Serbia				Slovenia				Kosovo			
	GE		RL		GE		RL		GE		RL		GE		RL	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	R
8					-0,85	18,54	-1,33	8,13	0,79	78,05	1,22	86,60				
0					-0,85	18,05	-1,34	8,13	0,73	77,07	1,01	82,78				
2					-0,55	33,17	-0,97	19,62	0,90	80,00	0,96	79,90				
3			-0,36	43,06	-0,62	29,27	-0,94	19,62	1,07	82,93	0,95	80,86			-1,06	1
4			-0,35	43,06	-0,17	50,73	-0,74	28,23	0,97	81,46	0,92	79,90			-0,96	1
5	0,36	64,39	-0,28	44,50	-0,31	44,88	-0,91	19,62	0,92	77,56	0,86	77,03			-0,99	1
6	-0,13	51,71	-0,34	44,98	-0,20	49,27	-0,56	36,36	0,98	80,00	0,87	77,51	-0,37	41,46	-0,91	2
7	-0,17	50,49	-0,19	49,28	-0,22	47,09	-0,50	37,32	0,94	80,10	0,88	78,47	-0,21	48,06	-0,78	2
8	-0,02	55,34	-0,07	53,37	-0,19	47,57	-0,53	37,02	1,19	84,95	0,98	82,21	-0,50	37,38	-0,60	3
9	0,00	56,46	0,07	56,40	-0,04	53,11	-0,44	41,23	1,16	83,25	1,06	83,89	-0,42	42,58	-0,63	3
0	0,09	57,42	0,00	55,45	-0,05	51,67	-0,40	41,71	1,03	81,34	0,98	80,57	-0,61	32,06	-0,64	3
2	0,13	59,33	-0,01	55,45	-0,11	50,72	-0,39	44,08	1,02	80,86	0,98	80,57	-0,39	42,11	-0,56	3
n	0,04	56,45	-0,17	49,50	-0,35	41,17	-0,76	28,42	0,98	80,63	0,97	80,86	-0,42	40,61	-0,79	2
n	0,00	56,46	-0,19	49,28	-0,21	47,33	-0,65	32,30	0,98	80,48	0,97	80,57	-0,40	41,78	-0,78	2

Table C.3: EU technical assistance projects in support of Mercosur.
Sources: Botto(2009), Comisión Europea and Mercosur(2001), Comisión Europea and Mercosur(2007), European Commission(2002; 2004a; 2005a; 2007g; 2010b), Grupo de Cooperación Internacional del Mercosur(2012); Secretaría Mercosur(n.d. [2007]), Ugarte *et al.*(2004a; 2004b; 2004c), Instituto de Relaciones Europeo-Latinoamericanas (IRELA)(1995); Sistema Económico Latinoamericano y del Caribe (SELA)(2007 - 2008); Commission (2016); Comisión (2003).

Time span	Project name	Project aim / counterpart	EU financing[287]
1992-1995, 1998-2006	Support to the Administrative Secretariat of the Mercosur (1st , 2nd and 3rd phases)	Administrative Secretariat of the Mercosur	1.920.400 €
1992-1994	Fund to Support the Pro Tempore Presidencies (PPT) of Mercosur	Each PPT of Mercosur	1.000.000 € (250.000 € per country)
1992	Funds to train Brazilian and Paraguayan Mercosur officials	Brazil and Paraguay	500.000 €
1992	Assistance Programme for Integration into Mercosur	Paraguay	250.000 €
1993-	Mercosur Customs Harmonization Project (1st phase)	TC 2[288] 'Customs Issues' of Mercosur Project coordinated in Uruguay and implemented in the four states	965.000 €
1993-	Technical Assistance on agricultural issues cooperation project (Animal & Vegetable's Health) ('SPS I')	WG 8[289] 'Agriculture' of Mercosur Project coordinated in Paraguay and implemented in the four states	11.200.000 €
1993-	Cooperation and Technical Assistance in Technical Regulation issues	WG 3 'Technical Standards' of Mercosur Project coordinated in Brazil and implemented in the four states	4.000.000 €
1993	Establishment of CEFIR (Center for Regional Integration Training)	Established in Uruguay	212.000 €
1994-	Mercosur et Pact Andine . developpement industriel		245.000 €[290]

[287] Numbers represent EU commitments, not actual expenditure, and stem from the sources mentioned above the table.
[288] 'TC' stands for Technical Committee, subgroups of the Mercosur Trade Commission (CCM) where specialised officials from the Mercosur states discuss and prepare norms to be decided upon by senior officials in the CCM (or presented to ministers in the Mercosur Council).
[289] 'WG' stands for Working Group, subgroups of the Common Market Group (GMC), where specialised officials from the Mercosur states meet to discuss and prepare norms to be decided upon by senior officials in the GMC.
[290] Shares for each region are unclear.

1995	Seminars and studies for civil society in the region		852.000 €
1995	Training programme for the officials of the joint parliamentary commission (CPC) of Mercosur	Joint Parliamentary Commission of Mercosur	120.000 €
1995	Study programme for diplomats of Mercosur states	Mercosur member states	185.440 €
1995	Diplôme de formation européenne hauts fonctionnaires des administrations publiques et cadres supérieurs		70.000 €
	Customs Cooperation Project (2nd phase)	TC 2 'Customs Issues' of Mercosur Project coordinated in Paraguay and implemented in the four states	5.300.000 €
1996-	CEFIR (Regional Integration Training Centre)	Institute based in Uruguay	4.828,536 €
1996-	Short-term personnel exchange EU-Mercosur	Mercosur institutions	28.296 €
1996	Presse et intégration regionale		180.000 €
1996	Seminar on the Interregional Framework Cooperation Agreement		155.000 €
1996	Conference on customs issues		41.000 €
1997	Seminars on 'Union Européenne et Mercosur: le role des organes de jurisdiction' and 'L'experience des organes de controle de L'union européenne apport a la consolidation du Mercosur'		72.000 USD
1999	Parliamentary Cooperation	Joint Parliamentary Commission of Mercosur	917.175 €
1997-2003	Statistical Harmonization Project	Statistical Institutes of each Mercosur country Project coordinated in Argentina	4.135.000 €
1999-	Consolidation nouvelle structure CEFIR	Institute based in Uruguay	9.300.000 €
1999	Training on the role of law in the regional integration process	Courses for Mercosur lawyers	120.000 €
2000-2005	Technical Assistance to the Uruguayan Sectorial Commission for Mercosur	Uruguay	350.000 €
2001-	Customs cooperation EU-Mercosur		5.300.000 €
2003-2004	Improvement of the dispute resolution system of Mercosur	Academic institutions and experts in EU and Mercosur states to prepare and appraisal and reform proposals for the Mercosur DRS	240.000 €
2003-	Vers plus de citoyennete active das		1.000.000 USD

2009	Mercosur: s'appropirier le local pour vivre l'integration regionale		
2004-	Support to the Mercosur Permanent Court of Appeals(TPR)	Mercosur TPR with the goal to "to create institutional and operational capacity for the MERCOSUR Permanent Court of Appeals in order to enhance its performance and ensure uniform and generalised implementation of MECOSUR legislation."	300.000 €
2004-2006	Social and labour dimension within Mercosur	WG 10 'Labour, Employment, Social Security Issues' Economic and Social Consultative Forum Social and Labour Commission Project coordinated in Brazil	980.000 €
2005-2008	Harmonization of Technical rules and procedures	WG 3 'Technical regulations' Project coordinated in Uruguay	4.000.000 €
2005-2011	Biotechnology development within Mercosur	Specialised Meeting of Science and Technology of Mercosur Project coordinated in Argentina and implemented in the four states	6.000.000 €
2005-2011	Statistical Cooperation II	National Statistical Institutes Project coordinated in Argentina	2.000.000 €
2006-2014	Harmonization of sanitary, veterinary, phytosanitary and food standards and procedures and differentiated agricultural production ('SPS II')	WG 8 'Agriculture' of Mercosur Project coordinated at the Argentinean Ministry of Economy and Production snd implemented in the four original member states	6.000.000 €
2006-	Support to the establishment of the Mercosur Parliament	Parliament of Mercosur Project based in Uruguay	917.000 €

2007-2011	Support for Macro-economic monitoring	Macroeconomic Monitoring Group of Mercosur Project based in Argentina	7.100.000 €
2007	Support to the Mercosur Secretariat and to the Implementation of the FOCEM (Fund for the Structural Convergence of Mercosur)		1.400.000 USD
2008-	International Technical Assistance for the Mercosur Parliament		84.350 €
2008-	University Network on 'Comparative Perspectives and cooperation in the Mercosur and EU integration processes"		210.00 USD (!!)
2008-2013	Information Society in Mercosur ("Mercosur Digital")	Specialised Meeting of Science and Technology of Mercosur WG 13 'Electronic Commerce' Project coordinated in Brazil and implemented in the four member states	9.623.600 €
2009-2014	Red del Sur: Promoción del Cooperativismo de trabajo ascoiado y fortalecimiento de las redes de micro emprendimientos de la economía social del Mercosur		465.000 USD
2008-2013	Apoyo al Programa de Movilidad Mercosur en Educación Superior	Support to the establishment of student exchange programmes and financing of approx. 170 exchanges	3.000.000 €
2011-2015	Programa de Apoyo al Sector Educativo del Mercosur (PASEM)		6.700.000 €
2009-2015	ECONORMAS Project	WG 3 'Technical norms' WG 6 'Environment' Objective: Support the convergence of technical norms to increase intra-regional trade while promoting environmentally sustainable production – creation of regional laboratories to certify observance of these norms	12.000.000 €
2009-2016	Audiovisual Mercosur	Specialised Meeting of Cinema and Audiovisual Authorities	1.500.000 €

2013-	Biotech II – Biotechnology development within Mercosur	Project coordinated in Argentina and implemented in the four original Mercosur stated	2.600.0	D

Annex D: An alternative approach to aggregate EU instruments

This annex shows an alternative way to group (and later assess) the EU instruments to promote regional cooperation. The instruments are grouped into categories that reflect their respective logic of external action, allowing to later compare and assess them across policy fields. Across the three fields, we identify instruments aimed at promoting regional cooperation and classify them in four fields according to their logic of external action: threat-, condition- assistance- and role model-based instruments.

Between threat and role model – Aggregating EU instruments

While the instruments found in the different policy areas of EU external action are often specific to their field, they all stand for similar logics of external action. This is instrumental in classifying the instruments on a higher level of abstraction that allows to compare them also across the cases and regions studied here. On the basis of the instruments found, four categories can be formed: threat-based, condition-based, assistance-based and role model-based mechanisms.

The first category, threat-based instruments, includes those cases in which the EU coerces its partners into action, threatening to punish them otherwise. Such threats could for example include the reversal of trade preferences or the use of sanctions. We expect this type of action to be the least frequent, both because of the legalistic and 'soft power' character of the EU as a foreign policy actor that strives for a "negotiated world order" (Smith 2013: 659) as well as because of the nature of regional cooperation as a non-critical policy objective. After all, non-fulfilment by a partner does not represent an immediate existential threat to the EU. The second category, condition-based instruments, includes those cases in which the EU spells out results to be delivered by its partner in return for a certain benefit. An example for such an instrument is the *iunctim* once established by the EU tying the entry into force of the SAA with Bosnia and Herzegovina to the application of the Sejdić and Finci ruling (Council 2013b: 40).[291] The third category, assistance-based

[291] The Sejdić and Finci ruling is a ruling of the European Court of Human Rights requiring Bosnia and Herzegovina to ensure that citizens belonging to all ethnicities can be elected to the presidency or the upper house of parliament. The constitution of Bosnia and Herzegovina foresees that only ethnic Serbs, Croats and Bosniaks can be elected.

instruments, represents cases in which the EU sets up instruments that aim at making regional cooperation less costly and/or more attractive, but without tying them to a specific result. The direct funding of feasibility studies or of institutions would be examples for such instruments. In practice, both condition- and assistance-based instruments may be used at the same time, as in the case of the financial and technical assistance offered to accession candidates through the Instrument for Pre-Accession Assistance (IPA). Nonetheless, a distinction can be established according to the predominance of one or the other. If EU assistance is mostly granted *ex ante*, i.e. without being tied to prior action by the EU's partner or to a reward in case of success, but rather as a bet on future developments, it is fair to speak of assistance instead of conditionality. In line with the EU's character as a foreign policy actor we expect conditions and incentives to be the most frequent logic of action. The final category, role model-based instruments, includes those instances in which the EU presents itself as a successful case of regional cooperation and portrays its example as one worth following. Highlighting the virtues of regional cooperation and integration in overcoming the post-world war divide and economic depression in Europe when meeting EU partners would represent an example for this logic of external action.

Following this rationale, the table below pictures how the individual instruments and their appearances can be classified in the four categories. For several instruments, such as mentions in speeches, the classification depends on the specific content, making them applicable to all four logics of external action. For other instruments, the allocation is more obvious as in the case of the implementation of technical assistance projects.

Operationalisation IV ‚Use of EU instruments to promote regional cooperation‘				
		Instruments and indicators		
Logic of external action	threat-based	trade and economic relations	emphasis of mentions	...in speeches ...in strategic documents ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners
		development cooperation and TA		
		political relations	emphasis of mentions	...in speeches ...in strategic documents ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners
	condition-based	trade and economic relations	emphasis of mentions	...in treaties ...in speeches ...in strategic documents ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners
		development cooperation and TA	emphasis of mentions	...in treaties ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners ...in strategic documents ...in speeches ...in assessment documents
		political relations	emphasis of mentions	...in treaties ...in speeches ...in strategic documents ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners
	assistance-based	trade and economic relations	emphasis of mentions amount	...in treaties ...in speeches ...in strategic documents ...in assessment documents ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners ...of TRTA oriented towards RI
		development cooperation and TA	emphasis of mentions absolute and relative budgetary relevance	...in treaties ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners ...in strategic documents ...in assessment documents ...in speeches ...of cooperation projects aimed at fostering RC
		political relations	emphasis of mentions	...in treaties ...in speeches ...in strategic documents ...in interviews with EU policy-makers ...in interviews with policy-makers from EU partners

role model-based	trade and economic relations	emphasis of mentions	...in speeches
			...in strategy documents
			...in interviews with EU policy-makers
			...in interviews with policy-makers from EU partners
	development cooperation and TA	emphasis of mentions	...in interviews with EU policy-makers
			...in interviews with policy-makers from EU partners
			...in strategy documents
			...in speeches
	political relations	emphasis of mentions	...in speeches
			...in strategy documents
			...in interviews with EU policy-makers
			...in interviews with policy-makers from EU partners
		relevance	...of statements and delclarations mentioning regional cooperation
			...of political dialogues with a regional focus

Table D.1: EU instruments according to logic of external action

Annex E: Bibliography

N.B.: All documents from the European Commission are referenced in the text using the shorter denomination 'Commission'. In this bibliography, these documents can be found under 'European Commission' or 'Commission of the European Communities'.

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Declaration on academic integrity (Cologne)

according to § 6.4 of the doctoral regulations from January 16, 2008

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Further persons – apart from the co-authors mentioned in the introduction – were not involved in the creation of the present thesis with regard to content and/or material. In particular, I did not make use of the help against payment by mediation or counseling services. No one received direct or indirect monetary benefits from me for work that is linked to the content of the present thesis. The thesis has neither been published before at home or abroad nor submitted in the same or similar form to another examining authority.[292] I affirm that I have said the pure truth in good faith and that I have not concealed anything."

Eidesstattliche Erklärung

Nach § 6 der Promotionsordnung vom 16. Januar 2008

„Hiermit erkläre ich an Eides statt, dass ich die vorgelegte Arbeit ohne Hilfe Dritter und ohne Benutzung anderer als der angegebenen Hilfsmittel angefertigt habe. Die aus anderen Quellen direkt oder indirekt übernommenen Aussagen, Daten und Konzepte sind unter Angabe der Quelle gekennzeichnet. Bei der Auswahl und Auswertung folgenden Materials haben mir die nachstehend aufgeführten Personen in der jeweils beschriebenen Weise entgeltlich / unentgeltlich geholfen: *nicht zutreffend*.

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[292] Comment from the author: As part of a *co-tutelle* PhD procedure, this thesis is being submitted to the University of Cologne and to Charles University in Prague in identical versions.

[293] Ergänzung des Autors: Im Rahmen eines *co-tutelle*-Promotionsverfahrens wird diese Dissertation in identischen Fassungen an der Universität zu Köln und an der Karlsuniversität Prag eingereicht.

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