

# **EU Democracy Promotion in the European Neighborhood: Conditionality, Economic Development, and Linkage.**

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## **1. Introduction**

Enlargement is often called the most successful foreign policy of the European Union (EU). The attractiveness of EU membership and the strict conditionality attached to the accession process have vested the EU with considerable transformative power in the applicant countries (Grabbe 2005; Schimmelfennig and Sedelmeier 2005). After the breakdown of Soviet communism and hegemony in Eastern Europe, enlargement has been credited with having contributed significantly to economic recovery, peace and stability as well as democratization in the transition countries of the region.

With the accession of Bulgaria and Romania in January 2007, the Fifth Enlargement of the EU has been completed. Whereas the Western Balkans and Turkey continue to have a membership perspective, the EU has devised the European Neighborhood Policy (ENP) for the remaining countries of Eastern Europe and the Mediterranean as an alternative to accession. It remains to be seen, however, whether ENP will be able to produce similarly positive effects as enlargement. This policy question provides the practical interest we have in this paper.

In recent years, the comparative study of EU democracy promotion has become the subject of several book-length studies.<sup>1</sup> These studies concur on a number of substantive findings. Most of all, they agree that accession conditionality has been paramount. First, accession conditionality, that is, the credible perspective of becoming an EU member after thorough democratic reform, was the most effective among the EU's strategies and

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<sup>1</sup> See Kelley 2004; Kubicek 2003; Pridham 2005; Schimmelfennig et al. 2006; Vachudova 2005; Youngs 2001a.

instruments of democracy promotion. Second, outside of Europe, where the target countries of EU democracy promotion did not have a membership perspective, the EU used its political conditionality inconsistently and rather unsuccessfully on the whole (Youngs 2001a; 2001b). In sum, while even highly credible accession conditionality requires favorable domestic political conditions in the target countries to be fully effective, it has proven to be a necessary condition of successful EU democracy promotion. And while this literature would not claim that EU accession conditionality was more important than domestic conditions of democratization, it demonstrates that in many cases the EU's external incentives have been instrumental in removing domestic obstacles to further democratic reform.

In addition, the recent studies of EU democracy promotion share several theoretical and methodological characteristics. First, they generally adhere to the agency-oriented approach of transition theory, which focus on strategic constellations and political choices of state leaders and challengers to explain regime change and its outcomes (see e.g. O'Donnell and Schmitter 1986; Przeworski 1991). In this perspective, the EU is conceived of as an (additional) actor in the transition process, which provides external restrictions and opportunities to the choices of elites and counter-elites. Second, the studies are mainly based on comparative case study designs and have focused empirically on the candidates for EU membership.<sup>2</sup>

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<sup>2</sup> The work of Richard Youngs (Youngs 2001a) is the exception. Yet he does not systematically compare candidates for membership and other outsiders.

Consequently, the recent literature on EU democracy promotion may be accused of two major design problems potentially leading to bias and limited generality. On the one hand, in their focus on EU agency and EU interaction with domestic elites in the target countries, these studies do not control for socioeconomic modernization as an additional or alternative and, as modernization theorists would claim, more fundamental cause of democratization. In addition, the emphasis on the EU as an international organization and its strategy of conditionality may sideline general diffusion and linkage effects having to do with other transnational and international actors and interactions. As a consequence, the studies of EU democracy promotion may systematically overestimate the relevance of EU incentives in the democratization process and, technically speaking, introduce omitted variable bias into the analysis. Second, the empirical focus on Eastern European countries with a general membership perspective (and thus favorable conditions of EU impact) introduces uncertainty into the findings and may limit their generality. How does variation in the size and credibility of EU conditionality impact on its effectiveness?

In this paper, we address these potential sources of bias and uncertainty. On the one hand, we systematically include in our analysis core variables of modernization theory as well as several proxies for diffuse international and transnational influences beyond the specific incentives of the EU. Second, we extend the study to 36 countries of the “European neighborhood” and thus to almost all post-communist and Mediterranean countries from the late 1980s to the beginning of the 21<sup>st</sup> century. Finally, in order to deal with this expanded data set, we move from comparative case studies to a panel regression analysis.

The main objective of the study is to show that credible EU accession conditionality still proves to be a strong and significant factor in European democratization processes if the entire region is taken into account and if core alternative explanations are controlled for. By the same token, however, the study suggests that the impact of EU democracy promotion will be severely weakened where EU incentives are small – as is the case for those countries of the European neighborhood that do not have a membership perspective. The good news for theory is bad news for policy.

The remainder of the paper is organized as follows: Section 2 presents conditionality, economic development, and transnational linkages as alternative and complementary mechanisms of democratization. Section 3 presents the design and section 4 the results of the analysis. Section 5 concludes.

## **2. Mechanisms of democratization: conditionality, modernization and linkage**

In this section, we present three different mechanisms of democratization, which are potentially influential in the EU's European neighborhood. We start with conditionality, the main mechanism under study here. We then present two alternative mechanisms: modernization and linkage. At the end of the section, we discuss potential causal connections between these mechanisms.

### *Conditionality*

In using political conditionality, the EU sets the adoption of democratic rules and practices as conditions that the target countries have to fulfill in order to receive rewards such as financial assistance, some kind of contractual association, or – ultimately – membership. EU conditionality is mainly “positive”, that is, the EU offers and withholds carrots but does not carry a big stick. Countries that fail to meet the criteria are simply denied assistance, association or membership and left behind in the competition for EU funds and the “regatta” for accession. The EU generally does not inflict extra punishment (in addition to withholding the conditional reward) on non-compliant governments. Moreover, the EU does not give extra support to those who fail to meet the conditions either. Rather, it regularly exhorts the target governments that it is their own responsibility to create the conditions to be rewarded.<sup>3</sup>

The most general political conditionality hypothesis is: *The positive impact of the EU on democracy in outsider states increases with the size and the credibility of the EU's conditional incentives.*

In general, adopting liberal political norms (such as human rights, democratic elections, open contestation for offices, and the rule of law) constitutes a loss in autonomy and power for the target governments. These political disincentives need to be balanced in kind by tangible incentives such as military protection or economic assistance to improve the security and the welfare of the state. In addition, effectiveness will increase with size.

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<sup>3</sup> On EU political conditionality, see Schimmelfennig et al. 2006: 31-41.

Accordingly, the promise of enlargement should be more powerful than the promise of association or assistance, and the impact of the EU on candidates for membership should be stronger than on outside states not considered potential EU members. Only the highest international rewards – those associated with EU membership – can be expected to balance substantial domestic power costs.

Finally, the rewards need to be credible both with regard to the EU's threat to withhold rewards in case of non-compliance and, conversely, the credibility of the EU's promise to deliver the reward in case of compliance. In other words, rule adoption requires both the superior bargaining power of the rule-setting agency (otherwise threats would not be credible) and certainty, on the part of the target states, that they will receive the payment once they have met the political conditions (otherwise promises would not be credible). In general, the credibility of the threat to withhold rewards has always been present in the relations between the EU and its neighborhood. Interdependence is highly asymmetrical in favor of the EU. Whereas the neighboring countries are only of marginal importance to the EU economy, they are often heavily dependent on the EU market and will benefit much more strongly from association and accession than the EU member states (Moravcsik and Vachudova 2005: 201). Thus, the threat of exclusion, if conditions were not fulfilled, has always been credible.

On the other hand, however, the EU must be capable and willing to pay the rewards. The higher the costs of the rewards to the EU are, the more doubtful their eventual payment to the target countries will be. On the basis of this reasoning, assistance and association

have generally been more credible rewards than accession because the commitment on the part of the EU is low. By contrast, Eastern enlargement involves substantial costs to the organization, which – although far from being prohibitive – are likely to exceed the marginal benefits of most member states (Schimmelfennig 2003: 52-66).

However, one also has to take into account the “sunk costs” of rewarding. In contrast to assistance, which requires comparatively small investments on the part of the EU and can be stopped rather easily, enlargement involves costly, long-term negotiations and preparations and a restructuring of EU institutions and policies. The more the pre-accession process advances, the higher are the costs of withholding the reward, that is, the investments that would be lost if the process was broken off or postponed to sanction a candidate state. After de Gaulle’s veto against UK membership in 1963, the EU has never broken off accession negotiations. The credibility of conditional rewards therefore increases considerably with the opening of accession negotiations. Even for countries not yet involved in accession negotiations, the opening of accession negotiations with, and the subsequent accession of, a first group of candidate countries increases the credibility of rewards for the remaining candidates, as it demonstrates that the EU is serious about enlargement.

It took several years, indeed, to overcome the reticence and opposition of a majority of member governments and to commit the EU firmly to enlargement. It was not before 1993 that the EU had made a general decision to accept new members from the transition countries and it took the EU until 1997 to open accession negotiations with the



democratically most consolidated states among them. These decisions greatly strengthened the credibility of both the promise to enlarge and the threat to exclude reform laggards – and the impact of political conditionality on those countries that were not allowed to participate in the first round of negotiations.

In sum, we claim that the impact of the EU on democratization in the neighboring countries will be a function of the size and credibility of the rewards that it offers in return for democratization steps.

### *Modernization*

According to modernization theory, democracy is a function of the level of social and economic development of a country. In his pioneering work, Seymour Martin Lipset (1959; 1960) studied the “social conditions” or “requisites” that support democracy and identified “economic development”, broadly understood as a syndrome of wealth, industrialization, urbanization, and education, as the most important one. Economic development goes together with better education, less poverty, the creation of a large middle-class, and a competent civil service. It thereby mitigates the class struggle and promotes cross-cutting cleavages. In addition, it nurtures a belief in tolerance and gradualism and reduces commitment to extremist ideologies. In sum: “The more well-to-do a nation, the greater the chances that it will sustain democracy” (Lipset 1960: 31).

The relationship between economic well-being and democracy has been tested on the basis of various indicators, methods and in comparison with many alternative factors but

has proven highly robust (Diamond 1992; Lipset 1994). More recent analyses have sought to disentangle the correlation between economic development and democracy – whether economic development brings about and/or rather sustains and consolidates democracy (see Przeworski et al. 2000 vs. Boix and Stokes 2003) – and the causal mechanisms linking the two<sup>4</sup> but left Lipset’s main hypothesis intact. As a mechanism that emphasizes domestic, societal, and bottom-up factors of democratization, modernization provides the starkest contrast to conditionality as an international, political, and top-down mechanism.

### *Linkage*

Even if one accepts that democratization does not only depend on domestic conditions but is also conditional on international factors, one may still doubt that intergovernmental organizations, and IGO conditionality in particular, are the most relevant influence. Democracy-promoting influences may also stem from transnational relations, that is, cross-border interactions and exchanges, in which at least one side is non-governmental. Just as in modernization, democracy promotion is predominantly societal and bottom-up but it is, at the same time, international rather than domestic. We subsume such transnational influences under the term “linkage” (Levitsky and Way 2005). Channels and instruments of linkage can be highly diverse. They comprise economic exchanges such as trade and investment, personal interactions through various means of communication, tourism, or academic exchanges, or cultural and information influences via the media, churches, or cultural performances.

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<sup>4</sup> See e.g. Boix (2003); Inglehart and Welzel (2005). For an overview of the literature, see Wucherpfennig (2007).

The effects of these interactions and exchanges on democratization are diverse as well. Some of them are direct and short-term in the sense that they have an immediate impact on the political struggle between pro- and anti-democratic forces in the country. Newspapers and broadcasts from abroad and external financial and technical support for the opponents are examples. International demonstration effects generated by successful democratic transitions in another country may encourage the democratic opposition and counter-elites to push for democratization. Other effects, however, work indirectly and in the longer term. The intensification of trade, for instance, may make society more affluent and induce societal groups to demand civil liberties and political rights. It also brings people from established democracies in contact with people from non-democratic countries, thus facilitating the spread of ideas and change of attitudes. The same can be expected from non-economic interactions such as cultural and academic exchanges increasing the level of education as a social requisite of democracy or constituting a channel for transmitting beliefs and desires that favor democratization. As a general hypothesis subsuming the various channels, instruments and effects of linkage, we propose that the level of democracy in a country increases with the intensity of the transnational linkages that it entertains with (other) democratic countries in its international environment.

### *Causal interactions*

Theoretically, we can think of several ways in which these mechanisms influence democratization in the European Neighborhood. To some extent, we assume them to

work independently of each other. In this perspective, and under the conditions specified for each mechanism, conditionality, economic development, and linkage each contribute their share to overall progress in democracy. In addition, however, it seems plausible to assume that conditionality interacts in two ways with modernization, on the one hand, and linkage, on the other.

First, conditionality may have a causal impact on both economic development and linkage. Certainly, conditional EU assistance, cooperation, and market access are likely to contribute to the wealth of nonmember countries and to the intensity of transnational linkages and thereby strengthen these alternative mechanisms of democratization. For two reasons, however, we do not think that this causal interaction poses a serious problem for our study. On the one hand, conditionality contributes significantly to economic development and linkage after political conditions have been fulfilled. That is, target countries have to reach certain levels of democracy *before* assistance, cooperation and market access are granted or enhanced. That is, for each level of incentives offered, conditionality will have an impact on democracy ahead of having an impact on either economic development or linkage. Therefore, the effects of conditionality can be largely separated from those of the other mechanisms and endogeneity problems should not loom large. On the other hand, the remaining interactions (and endogeneity) would lead the analysis to understate rather than overstate the independent effects of conditionality that we seek to establish.

Second, economic development and linkage may have a causal impact on both conditionality and democracy. One may assume that high economic development and intense transnational interactions will lead the EU to offer high and credible incentives to the target countries of democracy promotion. This would reduce the relationship between conditionality and democracy to a (partially) spurious one. It is exactly for this reason that we include economic development and linkage in our empirical model.

### **3. Design**

The study covers 36 countries of the EU's neighborhood from 1988 – just before the start of the “fourth wave” of democratization in Eastern Europe. The countries comprise the post-communist countries of Central and Eastern Europe as well as the “Mediterranean neighbors” or Northern Africa and the Middle East (see Appendix A). Our *observations* relate to countries according to the political boundaries of 2002. To avoid sample-biased results in the comparison of different mechanisms, we strived to obtain a rectangular data set. We describe newly independent states with the values of the faded super-structure. Because of severe data problems, however, Libya as well as the Palestinian Authority (West Bank and Gaza) were dropped from the analysis.

The *dependent variable* “democracy” is measured by the Political Rights rating of Freedom House (2005). To obtain interpretable results, data are reversed to a scale from 0 (no democracy) to 6 (full democracy). Data are available from 1988 for all countries which were independent by then, from 1990 for Czech Republic and Slovenia, from 1991 for (almost all of) the other successor states of the Soviet Union, Yugoslavia, and

Czechoslovakia. In some countries (Bulgaria, Algeria, Syria, Tunisia, Turkey), “turmoil” is reported for 1990, and we therefore imputed the value for 1989. To test for the robustness of our findings, one set of estimates uses the Civil Liberties rather than the Political Rights score by Freedom House, and another set of estimates excludes all those countries from the analysis, in which democratization was already far advanced or consolidated. These are countries rated as “free” by Freedom House (democracy values of 5 and 6 according to our scale) for a given year.

For *conditionality*, we refined the conceptualization used in Schimmelfennig et al. (2006) as shown in Table 1. The size and credibility of incentives refer to the time during which they were offered to the target countries as the highest available incentives (see Appendix B for the distribution of country-years across these categories). They remain valid even after the target countries have been granted association or membership because treaties with third countries can be suspended, and members can be deprived of their voting rights, when they violate fundamental democratic norms.

In 1988, the starting year of our analysis, the Eastern European countries were generally without any tangible incentives provided by the EU (“0”). Before the launch of the Barcelona process in 1995, EU relations with the Mediterranean countries were conducted under cooperation agreements with minor tangible incentives and no political conditionality (“1/0”). Since the early 1990s, political conditionality has been a general feature of the EU’s external agreements; but they still differed with regard to the credibility of the threats and promises attached to them.

The Partnership and Cooperation Agreements (PCA) offered to all countries of the former Soviet Union combine minor incentives with a low credibility of the threat to withhold them in case of political non-compliance (“1/1”).<sup>5</sup> Minor incentives combined with high credibility characterized EU relations with Central and Eastern European countries (CEECs) to the West of the former Soviet Union before the EU offered them Europe Agreements of Association (“1/2”). Once they had the chance to sign Europe Agreements, the size of incentives increased (“2/2”). These association agreements were not only linked to rather strict political conditionality (credibility of the threat), they also raised the expectations of eventual membership (credibility of the promise). By contrast, the Euro-Mediterranean Association Agreements offered similar incentives but without the same strict political conditionality and without the same membership perspective (“2/1”).

*Table 1 Incentives in EU political conditionality*

	<b>Size of incentives</b>	<b>Credibility of incentives</b>
<b>0</b>	No tangible incentives	No or weak political conditionality
<b>1</b>	Partnership (minor economic and financial incentives) <i>Partnership and Cooperation Agreements</i>	Political conditionality with <i>low</i> credibility of threats and/or promises
<b>2</b>	Association (including market access, financial assistance) <i>Europe Agreements, Euro-Mediterranean Association Agreements, Stabilization and Association Agreements</i>	Political conditionality with <i>high</i> credibility of threats and/or promises
<b>3</b>	Membership <i>Pre-Accession policies, accession negotiations</i>	

<sup>5</sup> The exception is Belarus, which the EU has enforced conditionality more strictly than elsewhere in the former Soviet Union.

From 1993, the EU granted the CEECs a general membership perspective, which, however, was not credible for all CEECs from the beginning (“3/1”). Credibility had been high for the Central European countries from 1993; it became high for the Baltic countries as well as Bulgaria and Romania in 1997 and for Turkey after the Helsinki Council of 1999 (“3/2”). At that time, the Western Balkans also obtained a general accession perspective (“3/1”).

According to our theoretical considerations, the effect of conditionality on democratization is best conceived of as an interaction effect of the size and credibility of EU incentives. High incentives are a necessary but not sufficient condition of EU impact unless these incentives are also credible. Equally, highly credible but substantively small rewards will not be an effective lever for democratic reforms. We use the “0” category for size (no tangible incentives) as the reference category against which we evaluate the effects of the other combinations in the data set (1/0, 1/1, 1/2, 2/1, 2/2, 3/1, and 3/2).

The indicator most often used for *economic development* is income, measured as gross domestic product per capita. For the analysis, we use GDP p.c. on purchasing-power-parity base, in logs (to base 10). We computed a purchasing power-corrected series in 1995 international US\$ from data on constant (kd) and current (cd) US\$ total GDPs given in the World Development Indicators (World Bank 2005). Data are available from 1988 onwards for Bulgaria, Cyprus, Algeria, Egypt, Georgia, Hungary, Israel, Jordan, Latvia, Morocco, Slovakia, Syria, Tunisia, and Turkey. For other countries, we had to fill the



gaps. As a general rule, we assume that purchasing power parities remained about the same during the pre-transition period. That allows us to re-calculate PPP series with market-price growth data. Regarding the former Soviet Union, these are given for Georgia, Latvia, Estonia and the Russian Federation and we calculate a weighted average; regarding Czech Republic, we use growth rates given for the Slovak Republic. For Poland 1988-90, we use growth rates given for Hungary.<sup>6</sup>

Some authors (e.g. Diamond 1992) propose using other indicators like the Human Development Index or the Physical Quality of Life Index, which produce better results than GDP per capita because they capture levels of absolute poverty and human deprivation better. The data for these alternative indicators, however, are not available for all countries of this study for the entire period of time. As an alternative, we use life expectancy at birth (World Bank 2005) as a second variable for economic development.

The measurement of *linkage* presented us with more difficulties because data availability for such transnational interactions as visits, communication, or academic exchange proved extremely limited given the extensive empirical scope of our study. Except for trade, we therefore turn to proxies based on the assumption that the intensity of linkages increases with geographical proximity.

For *trade linkage*, we use each country's trade with the EU based on Feenstra (2000). The time range is from 1985 to 1997, and "EU trade" is operationalized as the share of the sum of exports to and imports from EU15 to the total sum of exports and imports.

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<sup>6</sup> See Scholtz (2006) for more detail.

Feenstra covers all countries, but in their pre-1990 boundaries. We take predecessor states' values as proxies for their successor states' values in all cases (Czechoslovakia, Yugoslavia, and Soviet Union). We assume all countries to keep (in 1998 and later) those values they had obtained in 1996/97 (the average of these two years).

For *geographical proximity to democratic countries*, we use two measures. On the one hand, we distinguish direct land neighbors of the EU from those that are separated from the EU by the sea or other countries (the reference category). By including geographical proximity to the EU as well as trade with the EU, we control for general effects emanating from international interactions with the EU and its member states as opposed to the EU's political conditionality in particular. On the other hand, and inspired by Gleditsch and Ward (2006), we calculate a democratic-neighbors ratio for each country and year under observation. We divide the number of democratic neighbors of a country by the number of total (land) neighbors. In line with the hypothesis on the intensity of linkages with democratic countries, we assume that the frequency and consistency of democracy-promoting transnational interactions increases with the democratic-neighbors ratio.

By contrast, we decided against taking into account other specific influences emanating from nation-states or international organizations. Existing studies of EU democracy promotion in the candidate countries that compare EU impact with the impact of other international organizations or the United States as a major international promoter of democracy (Kelley 2004; Schimmelfennig and Sedelmeier 2005; Schimmelfennig et al.

2006) reveal three major findings. First, the Western nation-states have generally delegated the task of democracy promotion to the regional organizations and worked through these organizations rather than through bilateral programs. The democracy promotion efforts of regional organizations clearly outweigh national efforts. Second, those international organizations that do not offer tangible material or political incentives to the states of the region (such as the Council of Europe or the OSCE) have not been effective in promoting democratic change against domestic obstacles. Third, EU and NATO conditionality have been working in parallel, using the same conditions and incentives. Thus, their effects are often difficult to disentangle. However, NATO conditionality has generally been less strict than, and often followed the lead of, EU conditionality. For most candidates for EU and NATO membership, economic concerns have been more important than security concerns. For these reasons, we assume that EU political conditionality has outweighed the influence of other international organizations on democratization in the European Neighborhood. We therefore do not explicitly control for the impact of other international organizations.

We do control, however, for *time dependency* by including a variable measuring the year of observation and for *regional dependency* by including a dummy for the Islamic Mediterranean countries of Northern Africa and the Middle East (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, and Turkey). These countries are assumed to differ in the conditions of democratization from the Eastern European countries for cultural reasons: The Islamic world appears to be particularly resistant to the waves of

democratization that have rolled through the international system. We therefore expect a negative effect of membership in the Islamic world on democratization.

Influences promoting democracy take some time to come into effect. Change is most likely to take place as a result of elections leading to the defeat of less democratic incumbents or, in the case of election fraud, to popular unrest causing the downfall of the old regime. In accordance with the standard four-year electoral rhythm, we expect the empirical relations to be highest with using a *time lag* of four years. That is, we correlate the independent variables for one year (and country) with the democracy measure four years later. This effectively restricts our period of analysis from 1988 to 2000 for the independent variables. Again, in order to check the robustness of our findings, we tried other lags as well.

We use a random effects probit estimation to account both for the ordinal structure of the democracy measurement and for the panel structure of the data, using Stata's GLLAMM module. In this estimation, the country variable is used as a unit identifier in a multi-level probit regression. The ordered probit estimation accounts correctly for the Likert-like nature of Freedom House's democracy data, which are both stepwise and censored. On the other hand, the special time structure which implies a special sequential order of time points is not accounted for. Except for the discontinuous nature of revolutions, growth models are not applicable, and better estimation procedures are not available.

Finally, we estimated both level and change models. In the first case, we seek to explain the effect of our independent variables on the *level* of democracy in our cases. The level is measured by our adapted absolute Freedom House score. In the latter case, we seek to explain the *change* in democracy levels from the previous year.

#### **4. Results**

##### *Level of political rights model*

Table 2 reports the regression results for our standard analysis, which uses the level of Political Rights as the dependent variable for all countries.

The first estimation (1) focuses on our main explanatory variable, the size and credibility of EU incentives. For low incentive sizes, the effect is not entirely consistent but in general it increases primarily with the size of incentives and secondarily with the credibility of incentives. That is, for each size of incentives, higher credibility has a stronger positive impact on democracy. From highly credible association upwards, the effect of conditionality is significant, strong, and consistent.

Model (2) includes the modernization and linkage controls. For all variables except the EU trade share, the coefficients have the correct sign and prove significant at the 1 percent level. As expected, economic development and the intensity of transnational interactions (again except for trade) are significantly correlated with levels of democracy. At the same time, however, the effects of these mechanisms do not reduce the significance of conditionality. They even improve the performance of the conditionality

variables. In particular, it seems that accounting for the particular problem of democratizing the “Islamic Mediterranean” countries turns the negative signs of some of the conditionality coefficient positive. Yet, the effects of conditionality below the threshold of credible association remain inconsistent.

**Table 2: Regression results: Levels of Political Rights for all countries**

Dependent Variable	(1)	(2)	(2a)	(2b)	(2c)
	4 years	4 years	4 years	4 years	4 years
Lag length					
GDP p.c., ppp, log		<b>1.479***</b> (3.870)	<b>0.446*</b> (1.716)	0.139 (0.533)	<b>1.503***</b> (5.447)
Life expectancy		<b>0.469***</b> (11.277)	<b>0.073**</b> (2.244)	0.025 (0.720)	<b>0.136***</b> (5.100)
At birth, total (years)					
Islamic		<b>-2.131***</b> (6.789)	<b>-1.321***</b> (2.741)	0.000 (.)	<b>-1.610***</b> (6.982)
Mediterranean					
Democratic		<b>1.198***</b> (2.863)	-0.252 (0.725)	-0.566 (1.582)	<b>0.880***</b> (2.754)
Neighbors					
Proximity to EU		<b>0.766***</b> (3.554)	-0.339* (1.758)	-0.525*** (2.644)	<b>0.445**</b> (2.535)
Direct land border					
EU-Trade,		-1.299* (1.954)	0.419 (0.986)	0.481 (1.153)	<b>-2.173***</b> (3.967)
Share of total trade					
Partnership (1),	-1.040** (2.007)	<b>1.420**</b> (2.284)	-0.611 (1.588)	-0.363 (0.888)	<b>1.332**</b> (2.459)
no credibility (0)					
Partnership (1),	-0.007 (0.014)	0.987* (1.685)	-0.585* (1.647)	-0.213 (0.563)	0.917* (1.707)
low credibility (1)					
Partnership (1),	0.739 (1.413)	<b>1.549***</b> (2.663)	0.397 (1.492)	0.340 (1.327)	0.742 (1.407)
high credibility (2)					
Association (2),	-0.931 (1.548)	0.911 (1.278)	-0.782* (1.915)	-0.570 (1.339)	<b>1.739***</b> (2.889)
low credibility (1)					
Association (2),	<b>1.674***</b> (2.763)	<b>1.768***</b> (2.738)	<b>0.726**</b> (2.568)	<b>0.592**</b> (2.172)	<b>2.299***</b> (3.959)
high credibility (2)					
EU Membership (3),	<b>2.915***</b> (5.122)	<b>3.308***</b> (5.162)	<b>1.251***</b> (4.396)	<b>1.082***</b> (3.926)	<b>3.093***</b> (5.734)
low credibility (1)					
EU Membership (3),	<b>4.188***</b> (6.348)	<b>4.406***</b> (6.181)	<b>1.402***</b> (4.784)	<b>1.216***</b> (4.279)	<b>3.242***</b> (5.854)
high credibility (2)					
Year	<b>-0.069**</b> (2.500)	<b>-0.108***</b> (3.749)	-0.020 (1.581)	-0.001 (0.105)	<b>-0.108***</b> (4.508)
Constant			36.929 (1.479)	3.388 (0.137)	<b>203.710***</b> (4.280)
Observations	388	388	388	388	388
Estimation	RE oprob	RE oprob	RE linear	FE linear	OLS
R-squared					0.686

t-/z-values in parentheses

\* significant at 10%; \*\* at 5%; \*\*\* at 1%

Estimations (2a) to (2c) test the robustness of these results against changes in estimation method; another reason for their inclusion is the fact that the coefficients in the ordered probit model relate to the estimated threshold values ('cut points') for the different Likert scale steps which do not add up to the same difference of six between the extremes 0 (completely non-democratic) to 6 (fully democratic). Estimation 2a uses a random effects model which assumes the between-country effects to be distributed following the same distribution as the within-country effects. Estimation 2b treats the panel structure of the data using a fixed-effects model which studies only the within-country effects, i.e. the changes over time, leaving the between-country (i.e. cross-national comparative) effects out of study. Both estimation produce less satisfying results than random-effects ordered probit model but the results for conditionality remain substantively unchanged.

How substantive are the conditionality effects? As stated above, the coefficients of the random-effects ordered probit estimation are difficult to interpret and appear to be inflated. Estimation 2c therefore uses a simple ordinary least squares estimation – its coefficients are most easily interpreted and show that countries, which are offered a credible EU membership perspective, are on average more three points above those without tangible EU incentives (on the seven point Freedom House political rights scale).

To further test the robustness of these results, we apply several changes to the model used. Estimation 3 in Table 3 increases the time lag from four to five years. This reduces the significance of the higher conditionality values but the signs remain correct and accession conditionality still remains statistically significant.

**Table 3: Regression results: Robustness tests**

Dependent Variable	(3) FH Political Rights	(4) FH <i>Civil Liberties</i>	(5) FH Political Rights, <i>only non- democratic target countries</i>	(6) FH Political Rights, <i>change</i>
Lag Length	<i>5 years</i>	4 years	4 years	4 years
GDP p.c., ppp, log	<b>1.387***</b> (3.120)	<b>1.773***</b> (4.980)	<b>1.872***</b> (4.081)	GDP p.c., ppp, log, <i>change</i> (0.232)
Life expectancy at birth, total (years)	<b>0.355***</b> (8.265)	<b>0.171***</b> (4.003)	<b>0.175***</b> (4.364)	Life exp. at birth, total (yrs.) , <i>change</i> (1.251)
Islamic Mediterranean	<b>-2.135***</b> (5.793)	<b>-1.606***</b> (5.597)	<b>-1.781***</b> (4.755)	
Democratic Neighbors	<b>1.770***</b> (3.517)	0.356 (0.684)	0.539 (0.939)	Democratic Neighbors, <i>change</i> (0.035)
Proximity to EU, direct land border	<b>0.490**</b> <b>(2.048)</b>	-0.209 (0.930)	-0.328 (1.128)	Prox. to EU, direct land border, <i>change</i> (1.415)
EU-Trade, Share of total trade	<b>1.849**</b> (2.506)	-0.336 (0.528)	0.162 (0.206)	EU-Trade, share of total trade, <i>change</i> (2.135)
Partnership (1), no credibility (0)	-0.277 (0.403)	-1.806*** (2.984)	-1.098 (1.493)	Partnership (1), no cred., <i>change</i> (0.008)
Partnership (1), low credibility (1)	-1.521** (2.429)	-1.100* (1.774)	-0.749 (1.143)	Partnership (1), low cred. (1) , <i>change</i> (0.184)
Partnership (1), high credibility (2)	0.194 (0.321)	-0.458 (0.793)	0.959 (1.485)	Partnersh. (1), high cred. (2) , <i>change</i> (1.370)
Association (2), low credibility (1)	-0.903 (1.131)	-2.632*** (3.690)	-1.420* (1.669)	Association (2), low cred. (1) , <i>change</i> (0.089)
Association (2), high credibility (2)	1.000 (1.447)	0.723 (1.065)	1.424 (1.597)	Assoc. (2), high cred. (2) , <i>change</i> (1.521)
EU Membership (3), low credibility (1)	<b>1.230*</b> (1.822)	0.989 (1.603)	<b>3.096***</b> (4.188)	EU Memb. (3), low cred. (1) , <i>change</i> (1.934)
EU Membership (3), high credibility (2)	<b>1.694**</b> (2.340)	<b>2.078***</b> (2.596)	<b>5.351***</b> (5.066)	EU Memb. (3), high cred. (2) , <i>change</i> (2.707)
Year	-0.018 (0.535)	<b>0.057*</b> (1.889)	<b>-0.089***</b> (2.674)	Year, <i>change</i> (0.142)
Observations	352	388	280	367
Estimation	REoprob	REoprob	REoprob	REoprob

Model 4 changes the dependent variables from Political Rights to Civil Liberties, thus covering a different dimension of liberal democracy. This reduces the significance of conditionality further; only highly credible accession conditionality retains a significant impact (the signs remain correct, however). Most of the other variables lose their statistical significance as well – only the economic development measures and the



Islamic Mediterranean dummy remain robustly significant across different model specifications. Model 5 shows that the results do not substantially change when the analysis is limited to non-democratic target countries. Whereas high-incentive conditionality and economic development remain highly significant, the linkage variables prove insignificant or have the wrong sign. Finally, the last column in Table 3 presents the estimations for the change or first differences model. Only the change to membership incentives is significant according to this model (as is a change in the EU trade share).

## **5. Conclusions**

Is EU democracy promotion in its neighborhood effective? And if so why? This study started from findings established by recent comparative case studies of EU democracy and human rights promotion: that the EU has successfully promoted democracy in its neighborhood; that it owes its success to the use of political conditionality; and that the effectiveness of political conditionality depends on a credible perspective for the target countries of democracy promotion. It has been the main purpose of this study to put these findings to a demanding test, first, by controlling for economic development and transnational linkages as alternative mechanisms of democratization and, second, by conducting a panel analysis for a large number of target countries (36) in the European neighborhood and across a long time period (13 years).

We conclude from our analysis that EU political conditionality has passed this test. Across a variety of model specifications, EU conditionality has proven to be a robustly significant correlate of democratization in the European neighborhood. The analysis

furthermore corroborated the relevance of a credible accession perspective.

Conditionality below the incentive level of credible association did not perform consistently better than no or weak conditionality. Starting from highly credible association conditionality, however, the effects have been generally strong and significant. The credible membership perspective proved highly significant in all model specifications – and consistently stronger than lower levels of conditionality.

The other mechanisms of democratization were included in the analysis as controls rather than as test variables in their own right. That economic development proved to be an equally robust correlate of democratization as accession conditionality was not surprising in view of the overwhelming empirical evidence supporting modernization theory. The linkage variables, by contrast, lacked robustness. The share of EU trade failed completely as an explanatory variable. We did not, however, test directly for transnational transactions but used spatial proxies. Therefore, the results should not be interpreted as weakening the linkage approach.

Our final conclusions pertain to policy. The study confirms the utmost importance of a membership perspective if EU political conditionality is to have a strong and reliable impact on democratization in its neighborhood. The new European Neighborhood Policy, which has only become operative in 2005, has not been the subject of this analysis. It would, however, be classified as a low-credibility association policy because it explicitly excludes a membership perspective for the ENP countries and does not set high political

standards for participation. If this analysis has any predictive value, ENP is thus doomed to fail on average as a policy of democracy promotion.

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**Appendix A****List of neighbourhood countries**

1	Albania	22	Moldova
2	Algeria	23	Morocco
3	Armenia	24	Poland
4	Azerbaijan	25	Romania
5	Belarus	26	Russia
6	Bosnia-Herzegovina	27	Slovakia
7	Bulgaria	28	Slovenia
8	Croatia	29	Syria
9	Czech Republic	30	Tajikistan
10	Egypt	31	Tunisia
11	Estonia	32	Turkey
12	Georgia	33	Turkmenistan
13	Hungary	34	Ukraine
14	Israel	35	Uzbekistan
15	Jordan	36	Yugoslavia (Serbia and
16	Kazakhstan		Montenegro)
17	Kyrgyzstan		
18	Latvia		
19	Lebanon		
20	Lithuania		
21	Macedonia		

**Appendix B**

**EU incentives, observed states for 36 countries, 1988-2000**

		Credibility		
		0	1	2
Incentives	0	Albania (1988); Bulgaria (1988); Poland (1988); Romania (1988-89); Yugoslavia (1988)		
	1	Algeria (1988-94); Bosnia and Herzegovina (1992-95); Egypt (1988-94); Israel (1988-94); Jordan (1988-94); Lebanon (1988-94); Morocco (1988-94); Syria (1988-94); Tunisia (1988-94)	Algeria (1995-2000); Armenia (1992-2000); Azerbaijan (1992-2000); Bosnia and Herzegovina (1996-99); Croatia (1992-99); Egypt (1995-2000); Georgia (1992-2000); Hungary (1988); Kazakhstan (1992-2000); Kyrgyz Republic (1992-2000); Moldova (1992-2000); Russian Federation (1991-2000); Tajikistan (1992-2000); Turkmenistan (1992-2000); Ukraine (1992-2000); Uzbekistan (1992-2000)	Albania (1989-99); Belarus (1992-2001); Bulgaria (1989); Croatia (1992-99); Estonia (1991-92); Hungary (1989); Latvia (1991-92); Lithuania (1991-92); Macedonia (1992-99); Poland (1989-89); Slovenia (1991-92); Yugoslavia (1989-99)
	2	(n.a.)	Israel (1995-2000); Jordan (1995-2000); Lebanon (1995-2000); Morocco (1995-2000); Syria (1995-2000); Tunisia (1995-2000)	Bulgaria (1990-92); Hungary (1990-92); Poland (1990-92); Romania (1990-92)
	3	(n.a.)	Albania (2000); Bosnia and Herzegovina (2000); Bulgaria (1993-96); Croatia (2000); Estonia (1993-97); Latvia (1993-96); Lithuania (1993-96); Macedonia (2000); Romania (1993-96); Slovenia (1993-96); Turkey (1988-99); Yugoslavia (2000)	Bulgaria (1997-2000); Czech Republic (1993-2000); Estonia (1997-2000); Hungary (1993-2000); Latvia (1997-2000); Lithuania (1997-2000); Poland (1993-2000); Romania (1997-2000); Slovak Republic (1993-2000); Slovenia (1997-2000); Turkey (2000)