Do EU-MED agreements improve democracy and the quality of institutions in EU partner countries?

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Purposes

- To assess the effects of the EU-MED agreements on the respect of democratic principles and the promotion of “good governance”
- To investigate the timing of these effects

Motivations

- A recent trend in North South preferential agreements: non-trade conditionality;
- Particularly true for the EU:
  - since the beginning of the 90's the EU has included in all its trade agreements provisions connected with the respect of democratic principles and the promotion of "good governance";

Motivations (continued)

- EU-MED agreements:
  - Barcelona declaration;
  - MEDA program
  - EU-MED agreements
- Particularity of EU-MED agreements:
  - Mainly autocratic countries
    - ➔Has the “political conditionality” imposed by the EU been strong enough to allow people to enjoy more liberties?
  - No « obligation to achieve a result »
    - ➔Has EU-MED agreements contributed to improving the quality of the institutions of Mediterranean countries?

Governance measures

- Two indicators of democracy:
  - Polity IV
  - Freedom House: political rights and civil liberties
- Governance indicators: IRCG
  - Quality of bureaucracy
  - Corruption
  - Law and order
    - ➔An overall governance indicator

The overall impact of EU-MED agreements

$$y_{it} = a_i + \sum \phi_t T_t + \sum \alpha_m x_{m,it} + \delta Euromed_{it} + e_{it}$$

- Y_{it} is governance in country *i* at time t,
- a_i is a time-invariant effect unique to individual *i*
- T_t is time effect common to all countries at time t,
- X_{it} is a set of other control variables,
- $Euromed_{it}$ is a binary Euro-Med membership indicator, it takes the value of 1 from the year the agreement was signed and 0 otherwise
- e_{it} is an unobserved error term

The timing in the effects

$$y_{it} = a_i + \sum \phi_t T_t + \sum \alpha_m x_{m,it}$$
$$+ \delta_1 Euromed(-2)_{it} + \delta_2 Euromed13_{it} + \delta_3 Euromed>=4_{it} + e_{it}$$

- y_{it}, a_i, T_t, x_{it}, e_{it} are defined in the same way as in equation (1) ;
- $Euromed(-2)_{it}$ is a dummy variable that takes the value of one the two years before the agreement was signed, and zero otherwise;
- $Euromed13_{it}$ equals to one the year when the agreement was signed and the two following years;
- $Euromed>=4_{it}$ equals to 1 from the 4th year after the agreement was signed.

Two estimations techniques

- Within comparisons: only use the time variation in the data. It consists in estimating equation (1) and (2) on a sample made only with countries that have signed an agreement.

- Difference-in-differences estimations (DID): consist in identifying a specific intervention or treatment. One then compare the difference in a dependent variable before and after the intervention for groups affected by the treatment to the same difference for unaffected groups.

Effects on democracy using Within Comparisons

	Polity 020				*FH*			
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Euromed	**-0,24**	**0,37**	_	_	**-0,32**	**-0,53****	_	_
Euromed(-2)	_	_	**0,16**	**0,52**	_	_	**-0,32***	**-0,53***
Euromed13	_	_	**0,03**	**0,67**	_	_	**-0,42**	**-0,72*****
Euromed>= 4	_	_	**0,61**	**1,92***	_	_	**-0,38**	**-1,01****
Ln(GDP/capita)	_	-7,75***	_	-9,21***	_	1,91*	_	1,83**
% Fuel exports	_	-0,02	_	-0,01	_	-0,01*	_	-0,02***
Trade Openness	_	0,07**	_	0,04*	_	-0,01	_	-0,01*
Number of observations	114	110	133	124	108	105	126	118
R^2	0,94	0,97	0,94	0,97	0,87	0,90	0,90	0,92
Time specific effects	3,97	14,64	1,61	8,43	6,41	9,44	1,55	3,32
Prob>F	0,00	0,00	0,15	0,00	0,00	0,00	0,17	0,01

Effects on democracy using DID

	Polity020					
	1	2	3	4	5	6
Euromed	**-1,38****	**-1,28**	**-0,89**	_	_	_
Euromedmoins2	_	_	_	**-1,53***	**-1,24**	**-1,67**
Euromed13	_	_	_	**-1,55***	**-1,44**	**-1,17**
Euromed>=4	_	_	_	**-1,82*****	**-1,63**	**-1,45**
Ln(PIB/hab)	_	_	-1,10	_	_	-1,02
%Exportations Pétrolières	_	_	0,02	_	_	0,02
Ouverture Commerciale	_	_	0,01	_	_	0,01
Y*CONST	NON	OUI	OUI	NON	OUI	OUI
Nbre Observations	2428,00	2428,00	1258,00	2428,00	2428,00	1258,00
R-squared	0,79	0,82	0,86	0,79	0,82	0,86
Effets Spécifiques Temps	6,29	1,81	13,89	6,26	1,80	2,60
Prob>F	0,00	0,03	0,00	0,00	0,03	0,00

Effects on democracy using DID

	FH					
	1	*2*	*3*	*4*	*5*	*6*
Euromed	**0,52*** **	**0,37**	**0,35**	_	_	_
Euromed(-2)	_	_	_	**0,44** **	**0,39**	**0,44**
Euromed13	_	_	_	**0,53*** **	**0,38**	**0,38**
Euromed>=4	_	_	_	**0,74*** **	**0,57**	**0,58**
Ln(PIB/hab)	_	_	-0,33	_	_	-0,35
%fuel exports	_	_	-0,01*	_	_	-0,01*
Trade openness	_	_	0,00	_	_	0,00
Y*CONST	NO	YES	YES	NO	YES	NO
Number observations	2321,00	2321,00	1198,00	2321,00	2321,00	1198,00
R^2	0,78	0,81	0,84	0,78	0,81	0,84
Time specific effects	4,20	4,40	31,00	4,07	3,52	30,09
Prob>F	0,00	0,00	0,00	0,00	0,00	0,00

Impact on overall governance using within comparisons

	Overall governance			
	1	*2*	*3*	*4*
Euromed	0,35	0,48**	_	_
Euromed(-2)	_	_	0,06	0,11
Euromed13	_	_	0,06	0,38
Euromed>= 4	_	_	0,42	0,52
Ln(GDP/capita)	_	1,24	_	1,75
% Fuel exports	_	0,01	_	0,02*
Trade Openness	_	0,01	_	0,01**
Number of observations	120	110	140	124
R^2	0,82	0,84	0,81	0,86
Time specific effects	4,88	13,73	40,28	4,48
Prob>F	0,00	0,00	0,00	0,00

Impact on the various aspects of governance using within comparisons

	Corruption		*Bureaucratic quality*			*Law and order*		
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Euromed	0,34	_	-0,05	_	**0,80***	**0,97****	_	_
Euromed(-2)	_	-0,51	_	0,19	_	_	0,38	0,43
Euromed13	_	-0,43	_	0,15	_	_	0,39	0,97*
Euromed>= 4	_	-0,32	_	0,28	_	_	1,15	1,38*
Ln(GDP/capita)	_	_	_	_	_	2,37*	_	2,15
% Fuel exports	_	_	_	_	_	0,02	_	0,02*
Trade Openness	_	_	_	_	_	0,02*	_	0,02***
Number of observations	120,00	140,00	120,00	140,00	120,00	110,00	140,00	124,00
R^2	0,68	0,63	0,75	0,76	0,81	0,85	0,82	0,86
Time specific effects	6,14	4,50	13,78	6,06	4,28	11,12	12,30	9,38
Prob>F	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Impact on governance as a whole using DID

	1	*2*	*3*	*4*	*5*	*6*
Euromed	**0,36****	**0,42***	**0,52****	_	_	_
Euromed(-2)	_	_	_	**0,28***	**0,33****	**0,36*****
Euromed13	_	_	_	**0,29***	**0,38***	**0,48****
Euromed>=4	_	_	_	**0,58*****	**0,64****	**0,82****
Ln(PIB/hab)	_	_	0,56	_	_	0,53
%fuel exports	_	_	0,00	_	_	0,00
Trade openness	_	_	0,00	_	_	0,00
Y*CONST	NO	YES	YES	NO	YES	NO
Number observations	1994,00	1994,00	1128,00	1994,00	1994,00	1128,00
R^2	0,74	0,78	0,82	0,74	0,78	0,82
Time specific effects	15,39	5,09	3456,59	15,77	5,89E+08	2022,31
Prob>F	0,00	0,00	0,00	0,00	0,00	0,00

Impact on the various components of governance

	Corruption		*Bureaucratic Quality*			*Law and order*		
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Euromed	-0,07		0,26		**1,19*****	**1,11*****	_	_
Euromed(-2)	_	-0,12	_	0,20	_	_	**0,97*****	**0,77****
Euromed13	_	-0,11	_	0,25	_	_	**1,06*****	**1,10****
Euromed>=4	_	-0,07	_	0,38*	_	_	**1,79*****	**1,62*****
Ln(PIB/hab)	_		_	_	_	1,14**	_	1,07**
%fuel exports	_		_	_	_	0,01	_	0,01
Trade openness	_		_	_	_	0,00	_	0,00
Y*CONST	YES	YES	YES	YES	NO	YES	NO	YES
Number observations	1994	1994	1994	1994	1994	1128	1994	1128
R^2	0,69	0,69	0,76	0,76	0,71	0,83	0,72	0,83
Time specific effects	7,44	1,66E+11	2,76	3,11	15,05	12761,72	15,36	20400,75
Prob>F	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Concluding remarks

- A strong positive effect on the quality of the judicial system;
- The impact on the overall governance is less clear-cut;
- No effect on the respect of democratic principles;
- Several reasons can explain this lack of results:
  - EU-MED agreements are still recent
  - the threat of sanctions by the EU is not credible
  - the weakness of the resources dedicated to democratization
- Our analysis must be extended to all Trade Agreements the European Community has ratified.