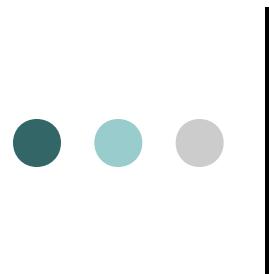




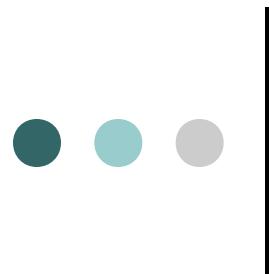
Do EU-MED agreements improve democracy and the quality of institutions in EU partner countries?

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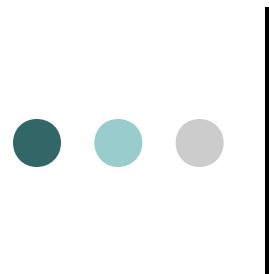
Purposes

- 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



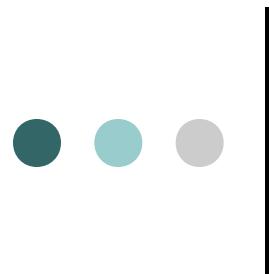
Motivations

- 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

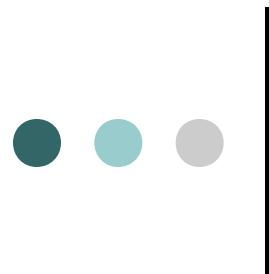
- Two indicators of democracy:
 - Polity IV
 - Freedom House: political rights and civil liberties
- Governance indicators: IRCG
 - Quality of bureaucracy
 - Corruption
 - Law and order
 - ➔ An overall governance indicator



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

	<i>Polity 020</i>							<i>FH</i>
	1	2	3	4	5	6	7	
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 \geq 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

	<i>Polity20</i>					
	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

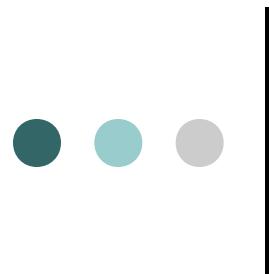
	<i>Overall governance</i>			
	1	2	3	4
Euromed	0,35	0,48**	-	-
Euromed(-2)	-	-	0,06	0,11
Euromed13	-	-	0,06	0,38
Euromed ≥ 4	-	-	0,42	0,52
Ln(GDP/capita)	-	1,24	-	1,75
% Fuel exports	-	0,01	-	0,02*
Trade Openness	-	0,01	-	0,01**
Number of observations	120	110	140	124
R ²	0,82	0,84	0,81	0,86
Time specific effects	4,88	13,73	40,28	4,48 12
Prob>F	0,00	0,00	0,00	0,00

Impact on the various aspects of governance using within comparisons

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



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.