

Corrections

P. 187, Affiliation for Frank Schimmelfennig is: ETH Zurich, Switzerland

The use of quotation marks on pp. 195-96 and 199 is inconsistent

- p. 195, line 4 from bottom, remove marks for 1/1
- p. 195, last line, remove marks for 1/ 2
- p. 196, first line of text after figure 1, remove marks for 2/2
 - line 6, remove marks for 2/1
 - line 9, remove marks for 3/1
 - line 12, remove marks for 3/2
 - line 13, remove marks for 3/1
- p. 199 line 7 from bottom, remove marks for 0 and 2/1
 - line 6 from bottom, remove marks for 2/2

Figure 1 on p. 196

Row #3, column #1: replace enlargement with membership

Row #3, column #2: replace Enlargement with Membership

p. 197, line 10 from bottom, delete “, except”

p. 200/01 ff: It is unfortunate that the tables spread out over 2 pages but I guess it couldn't be done otherwise...

- p. 202, line 10: Please put wrong in quotation marks: 'wrong'
- line 16 from bottom: REPLACE social linkage WITH transnational exchange
- line 14 from bottom: DELETE to some degree

There's one correction that requires a major change. Somehow a paragraph that should have been deleted slipped into the final version.

P. 203, final paragraph: Add “Estimation (8) uses a simple ordinary least squares estimation.” to the previous paragraph and delete the rest of the paragraph.

- p. 206 delete first three lines
- p. 206, line 12: “although estimation (9), as compared to estimation (8), increases”
- p. 206, line 13 delete text in parentheses “(among these, again, the counterintuitive negative effect of EU trade share)”

To make up for the deleted paragraph, please insert on

p. 211, line 3 at the end of the paragraph

Finally, the impact of EU political conditionality varies across levels of democratization. It is smallest in autocratic countries and, unsurprisingly, in countries that have already achieved a high level of democracy. By contrast, it is most effective in promoting democratic consolidation in countries that have already experienced some democratization.

- p. 211, line 12 from bottom: REPLACE 2008 WITH 2007
- p. 211, line 5 from bottom: DELETE if AND only
- p. 211, line 4 from bottom REPLACE without offering membership WITH (even without offering membership)

p. 214, line 9 REPLACE 2008 WITH 2007
line 11, INSERT , pp. 39-57. BETWEEN ? AND Manchester



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EU Democracy Promotion in the European Neighbourhood

Political Conditionality, Economic Development and Transnational Exchange

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ABSTRACT

How effective and relevant is European Union political conditionality for the promotion of democracy in third countries? This article reports the results of a panel study of 36 countries of the East European and Mediterranean neighbourhood of the EU for the years 1988–2004. The analysis shows robust and strong effects of EU political conditionality on democracy in the neighbouring countries if the EU offers a membership perspective in return for political reform. Absent the offer of membership, however, EU incentives such as partnership and cooperation do not reliably promote democratic change. The analysis controls for economic development and transnational exchanges as two alternative potential causes of democratization. Although economic and geographical factors have an impact on democratization in the European neighbourhood as well, EU political conditionality remains a significant influence.

KEY WORDS

- conditionality
- democratization
- Eastern Europe
- European Union
- Mediterranean countries

Introduction

Enlargement is often seen as the most successful foreign policy of the European Union (EU). The attractiveness of EU membership and the strict political conditionality attached to the accession process have vested the Union with considerable transformative power in the applicant countries. 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 to democratization in the transition countries of the region.

Our article will put this view to a systematic test. In particular, we will ask whether EU political conditionality has had a significant positive impact on democracy and democratic change in neighbouring non-member countries even when other influences are taken into account. If so, has political conditionality been effective in general or only under certain conditions? Finally, is EU political conditionality likely to produce similar effects beyond enlargement? With the accession of Bulgaria and Romania in January 2007, the Fifth Enlargement of the EU has come to a close. Whereas the Western Balkans and Turkey continue to have a membership perspective, the EU has devised the European Neighbourhood Policy (ENP) for the remaining countries of Eastern Europe and the Mediterranean as an alternative to accession. Will these countries be affected in similar ways as the candidate countries for membership?

In recent years, the comparative study of EU democracy promotion has become the subject of several book-length studies (Kelley, 2004; Kubicek, 2003; Pridham, 2005; Schimmelfennig et al., 2006; Vachudova, 2005). These studies concur on a number of substantive findings regarding the effectiveness of EU democracy promotion. Above all, they agree that the use of accession conditionality has been paramount. First, political accession conditionality – that is, the credible perspective of becoming an EU member after thorough democratic reform – has been the most effective among the EU's strategies and instruments (others being social influence or persuasion, for instance). Second, while even highly credible accession conditionality requires favourable political conditions in the domestic arena of target countries to be fully effective, it has proven to be a necessary condition of successful EU democracy promotion. And although this literature would not claim that EU accession conditionality is more important than domestic conditions of democratization, it demonstrates that in many cases the Union's external incentives have been instrumental in overcoming 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 focuses 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, providing external restrictions on 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.

Consequently, the recent literature on EU democracy promotion may be accused of two major design problems, which may lead to bias and limited generality. On the one hand, given their focus on EU agency and EU interaction with domestic elites in the target countries, these studies may have unduly neglected socioeconomic development 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 and overlook more general diffusion effects deriving from 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 countries with a general membership perspective (and thus favourable conditions of EU impact) introduces uncertainty as to whether the findings also hold for non-candidate countries. It leaves the reader wondering how variation in the size and credibility of EU conditionality might impact on its effectiveness.

In our article, we address these potential sources of bias and uncertainty. First, we capture core variables regarding structural, socioeconomic accounts of democratization, as well as several proxies for diffuse international and transnational influences beyond the specific incentives of the EU. Second, we include 36 countries of the 'European neighbourhood' and thus almost all ex-communist and Mediterranean countries from the late 1980s to the beginning of the 21st century. Finally, in order to deal with this expanded data set, we move from qualitative, comparative analysis to panel regression. The goal of this expanded analysis is, primarily, to put the state of the art in the study of EU democracy promotion to a demanding test and, secondly, to see what we can learn from the analysis of the past for the prospects of EU democracy promotion after enlargement.

The study shows that EU accession conditionality proves to be a strong and significant factor in the democratization of the European neighbourhood – even if the entire region is taken into account and if core alternative explanations are controlled for. Yet the effects become weaker and inconsistent

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if the EU offers less than membership or association that might lead to accession in the future. We organize this article as follows. The next section presents political conditionality, economic development and transnational exchange as alternative and complementary mechanisms of democratization. We then describe the design of the study and discuss the results of the analysis, including a series of alternative estimations and model specifications to check their robustness. Finally, we present our conclusions.

Mechanisms of democratization: Political conditionality, economic development and transnational exchange

In this section, we present three different mechanisms of democratization, which are potentially influential in the EU's European neighbourhood. We start with political conditionality, the main mechanism under study here, before presenting two alternative mechanisms: economic development and transnational exchange. At the end of the section, we discuss potential causal connections between these mechanisms.

Political conditionality

In using political conditionality, the EU sets the adoption of democratic rules and practices as conditions that the target countries have to fulfil in order to receive rewards such as financial assistance, some kind of institutional association or – ultimately – membership. EU conditionality is mainly positive, that is, the EU offers and withholds carrots but does not carry a big stick (Smith, 2001; Youngs, 2001: 192). 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. Nor does it give extra support to those that fail to meet the conditions. Rather, it regularly exhorts the target governments that it is their own responsibility to create the conditions to be rewarded. The most general political conditionality hypothesis can be stated as follows: *The level of democracy in the neighbouring countries of the EU 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 office and the rule of law) constitutes a loss in autonomy for the target governments. These political costs 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 the size of the incentives. 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 that on outside states, which are 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, conditionality needs to be credible, with regard to both the EU's threat to withhold the rewards in case of non-compliance and, conversely, the EU's promise to deliver the reward in case of compliance. In general, the credibility of the threat has always been present in the relations between the EU and its neighbourhood. Interdependence is highly asymmetrical in favour of the EU. Whereas the neighbouring countries are of only marginal importance to the EU economy, they are often heavily dependent on the EU market and will benefit much more strongly from their association and accession than the EU member states (Moravcsik and Vachudova, 2005: 201).

On the other hand, however, the EU must be able 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 to most member states (Schimmelfennig, 2003: 52–66).

Indeed, it took several years to overcome the reticence and opposition of a majority of member governments and to commit the EU firmly to enlargement. It was not until 1993 that the EU made a general decision to accept new members from the transition countries, and it was not until 1997 that the EU opened 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 neighbouring countries will be a function of the size and credibility of the rewards the EU offers in return for increased democratization.

Economic development

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 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 and methods and in comparison with many alternative factors, and 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 (see e.g. Acemoglu and Robinson, 2006). But they leave Lipset's main correlation intact (see e.g. Boix, 2003; Inglehart and Welzel, 2005; Epstein et al., 2006). As a mechanism that emphasizes domestic, societal and bottom-up factors of democratization, economic development provides the starkest contrast to political conditionality, an international, political and top-down mechanism. We thus hypothesize that *the level of democracy in a country increases with the level of economic development.*

Transnational exchange

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

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 a 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 favour democratization. As a general hypothesis subsuming the various channels, instruments and effects of transnational exchange, we propose that the *level of democracy in a country increases with the intensity of the transnational linkages that it entertains with democratic countries in its international environment.*

Causal interactions

Theoretically, we can think of several ways in which these mechanisms influence democratization in the European neighbourhood. To some extent, we assume they work independently of each other. In this perspective, and under the conditions specified for each mechanism, political conditionality, economic development and transnational exchange each contribute their share to overall progress in democracy. In addition, however, it seems plausible that political conditionality interacts in two ways: with economic development as well as with transnational exchange.

First, political conditionality may have a causal impact on both economic development and transnational exchange. Certainly, conditional EU assistance, cooperation and market access are likely to contribute to the wealth of non-member countries and to the intensity of transnational exchanges 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 only *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. Thus, for each level of incentives offered, conditionality will have an impact on democracy ahead of having an impact on either economic development or transnational exchange. Therefore, the effects of conditionality can be largely separated from those of the other mechanisms, and problems of endogeneity should not loom large. On the other hand, the remaining causal 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 transnational exchange 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 incentives to the target countries of democracy promotion. This would reduce the relationship between political conditionality and democracy to a (partially) spurious one. It is exactly for this reason that we include economic development and transnational exchange in our empirical model.¹

Finally, one may suspect reverse causality. Accordingly, countries that have first made democratic progress would then prompt the EU to offer them association or membership, whereas we assume that the offer of association or membership triggers democratic progress. It is certainly true that, in the frontrunners of democratization in the region (such as Hungary and Poland), significant steps toward democracy had been taken before the EU offered association or membership. In most cases, however, the EU has offered association and membership to countries that had not reached high levels of democracy yet, and it offers certain incentives to entire groups of countries and sub-regions regardless of the state of democracy in individual countries. In particular, the Balkans (first Bulgaria and Romania, then the 'Western Balkans') were granted an association and membership perspective when they still had serious democratic deficits, and the Barcelona Process offered the Mediterranean countries association regardless of their systems of rule, which vary from democracy in Israel to autocracy in Syria.²

Design

The study covers 36 countries of the EU's neighbourhood from 1988 – just before the start of the 'fourth wave' of democratization in Eastern Europe. The countries comprise the ex-communist countries of Central and Eastern Europe as well as the EU's Mediterranean neighbours in Northern Africa and the Middle East (see Web 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 strove to obtain a rectangular data set. We describe newly independent states with the values of the faded superstructure. Because of severe data problems, however, we dropped Libya as well as the Palestinian Authority (West Bank and Gaza) 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 that 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 (Model 10) rather than the Political Rights score by Freedom House, and another set of estimates excludes from the analysis all those countries in which democratization was already far advanced or consolidated (Model 11). These are countries rated as 'free' by Freedom House (democracy values of 5 and 6 according to our scale) for a given year.

See Figure 1 for our index of *political conditionality*. The size and credibility of incentives refer to the time during which they were offered to the target countries as the highest available incentives in principle – not when association or accession negotiations started (see Web 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 East 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 (incentives/credibility = 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 the case of political non-compliance ('1/1').³ Minor incentives combined with high credibility characterized EU relations with Central and East 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

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		Credibility of incentives		
		0	1	2
Size of incentives	0	No tangible incentives: <i>Relations with Central and Eastern Europe before 1989</i>		
	1	Partnership (minor economic and financial incentives) without political conditionality: <i>Relations with Mediterranean countries before 1995</i>	Conditional partnership with low credibility of threats and/or promises: <i>Partnership and Cooperation Agreements with post-Soviet states</i>	Conditional partnership with high credibility of threats and/or promises: <i>Trade and Cooperation Agreements with Central European and Balkan countries</i>
	2	Association (including market access and financial assistance) without political conditionality	Conditional association with low credibility of threats and/or promises: <i>Euro-Mediterranean Association Agreements</i>	Conditional association with high credibility of threats and/or promises: <i>Europe Agreements, Stabilization and Association Agreements</i>
	3	Membership without political conditionality	Conditional membership with low credibility of promise: <i>General enlargement promise without candidate status</i>	Conditional membership with high credibility of promise: <i>Enlargement candidacy, opening of accession negotiations</i>

Figure 1 Incentives in EU political conditionality.

Europe Agreements, the size of incentives increased ('2/2'). Not only were these association agreements linked to rather strict political conditionality (credibility of the threat), they also raised expectations of eventual membership (credibility of the promise). By contrast, the Euro-Mediterranean Association Agreements offered similar incentives without the same strict political conditionality and without the same membership perspective ('2/1'). They are therefore classified as low-credibility association.

From 1993, the EU granted the CEECs a general membership perspective, which, however, was not credible for all CEECs at 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'). In 1999, the Western Balkans also obtained a general accession perspective ('3/1'), which became more credible only with the decisions of the Thessaloniki European Council of 2003. 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 (GDP p.c.). For the analysis, we use GDP p.c. on a 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 in 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 recalculate 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.

Some authors (e.g. Diamond, 1992) propose using other indicators such as 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. 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 *transnational exchanges* presented us with more difficulties because data availability for such interactions as visits, communication or academic exchanges 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 exchanges increases with geographical proximity.

For *trade exchanges*, 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 the EU15 to the total sum of exports and imports. Feenstra covers all countries, except in their pre-1990 boundaries. We take predecessor states' values as proxies for their successor states' values in all cases (Czechoslovakia, Yugoslavia and the Soviet Union). We assume all countries keep (in 1998 and later) those values they had obtained in 1996/97 (the average of these two years). For the EU as a trade power, trade is likely to be a particularly important source of transnational influence.

For *geographical proximity to democratic countries*, we use three measures. First, we distinguish direct land neighbours of the EU from those that are separated from the EU by the sea or by other countries (the reference

category). Second, we used the gravity model to analyse the attraction of people, ideas and commodities between the EU and its neighbouring countries. Gravity is calculated here as the product of the EU population and the population of the target country divided by the squared distance between Brussels and the capital of the target country. By including gravity, geographical proximity to and 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. Third, inspired by Gleditsch and Ward (2006), we calculate a democratic-neighbours ratio for each country and year under observation. We divide the number of democratic neighbours of a country by the number of total (land) neighbours. In line with the hypothesis on the intensity of transnational exchanges with democratic countries, we assume that the frequency and consistency of democracy-promoting transnational interactions increases with the democratic-neighbours 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 programmes. 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 Organization for Security and Co-operation in Europe) 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 Neighbourhood. 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 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 East European countries for cultural reasons: Muslim countries have been particularly resistant to the waves of democratization that have rolled through the international system (e.g. Huntington, 1991; Lewis, 1996). We therefore expect a negative effect of Muslim culture on democratization.⁴

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 empirical relations to be highest when 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 in effect restricts our period of analysis to 1988–2000 for the independent variables. Again, in order to check the robustness of our findings, we tried other lags as well.

We do a random effects ordered 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 (Rabe-Hesketh and Skrondal, 2005). 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.⁵

Results

Table 1 reports the regression results for our standard analysis, which uses the level of political rights as the dependent variable and a four-year lag for all countries. What we would ideally like to see is a set of coefficients for the conditionality dummies that are highly significant and positive, and increase from lower to higher sizes of incentives and credibility. The first estimation (1) focuses on our main explanatory variable, the size and credibility of EU incentives. In contrast to weak incentives ('0' to '2/1'), from highly credible association ('2/2') upwards the effect of conditionality is significant, strong and consistent.

Model (2) includes the economic development and transnational exchange controls. Far from reducing the strength and significance of political conditionality, adding the control variables rather improves the performance of incentives and credibility. In particular, controlling for the specific

Table 1 Basic regression results

Dependent variable	Freedom House political rights				
	(1)	(2)	(3)	(4)	(5)
<i>Lag length</i>			4 years		
Partnership (1), no credibility (0)	-2.452*** (4.201)	2.132*** (2.971)	3.201*** (4.548)	1.682** (2.376)	-1.663 (1.634)
Partnership (1), low credibility (1)	-3.451*** (5.783)	0.543 (0.877)	-1.601*** (2.577)	-0.942 (1.542)	0.085 (0.103)
Partnership (1), high credibility (2)	-0.079 (0.139)	0.630 (1.066)	0.716 (1.168)	0.316 (0.539)	1.085 (1.361)
Association (2), low credibility (1)	-2.578*** (4.324)	2.236*** (2.803)	3.081*** (4.023)	1.736** (2.200)	-1.953 (1.701)
Association (2), high credibility (2)	1.563** (2.307)	1.829*** (2.765)	2.061*** (3.030)	1.808*** (2.779)	1.942** (2.207)
EU membership (3), low credibility (1)	2.608*** (4.406)	2.992*** (4.505)	3.482*** (5.114)	2.391*** (3.642)	3.436*** (3.416)
EU membership (3), high credibility (2)	3.507*** (5.371)	4.242*** (5.843)	4.120*** (5.672)	3.595*** (5.159)	5.926*** (5.057)
GDP p.c., ppp, log		0.276 (0.718)	0.576 (1.277)	0.902** (2.074)	1.553*** (2.989)
Life expectancy at birth, total (years)		0.134*** (3.769)	0.194*** (5.080)	0.103*** (2.884)	0.340*** (6.113)
Muslim country		-2.067*** (4.602)	-4.351*** (9.416)	-2.107*** (4.877)	0.036 (0.053)
Democratic neighbourhood		0.703* (1.659)			3.291*** (4.548)

Table 1 continued

	(1)	(2)	(3)	(4)	(5)
<i>Dependent variable</i>	<i>Freedom House political rights</i>				
<i>Lag length</i>	<i>4 years</i>				
Proximity to EU, direct land border		0.538** (2.512)			0.953*** (2.880)
Gravity			0.435*** (9.579)		
Common factor				0.605*** (3.912)	
EU trade, share of total trade		-0.806 (1.221)	-2.015*** (3.026)	-0.569 (0.827)	
EU imports, share of total imports					4.789*** (2.804)
EU exports, share of total exports					-3.319*** (1.537)
Year					-0.078 (1.537)
No. of observations	385	385	385	385	385
Estimation	RE oprob	RE oprob	RE oprob	RE oprob	RE oprob

Notes: absolute values of robust z-statistics in parentheses.
 ** significant at 5%; *** significant at 1%

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obstacles to democratization in Muslim countries seems to turn the negative signs of the coefficients for lower levels of conditionality positive. Yet the effects of conditionality below the threshold of association remain inconsistent and insignificant. The variables for the alternative mechanisms of democratization produce mixed results. As to economic development, wealth is surprisingly insignificant, whereas life expectancy has a highly significant positive impact.

Regarding transnational exchange, the two proxies (proximity to the EU and democratic neighbourhood) are significantly and positively correlated with the level of political rights. EU trade share, however, has the wrong sign. Models (3) and (4) use different specifications of the exchange proxies. In Model (3) we use gravity toward the EU, which turns the signs for proximity and democratic neighbourhood negative when estimated together. The results are structurally similar to Model (2) but gravity is more highly significant than either proximity to the EU or a democratic neighbourhood. Model (4) uses a common factor of proximity, democratic neighbourhood and gravity derived from factor analysis. In sum, in whatever way we specify them, the geographical proxies for transnational exchange prove robustly significant and positively correlated with the level of democracy in neighbouring countries. This seems to indicate that general and diffuse cross-border exchanges do indeed matter.

Finally, Model (5) differentiates the trade flows according to imports and exports.⁶ It shows that exporting to and importing from the EU have dramatically different effects that are concealed by the overall trade share. Whereas the level of democracy increases significantly with the import share, it decreases with rising export shares. We interpret the import share level as a measure of social linkage via consumption, whereas the export share (which reflects mainly the importance of a country's energy exports for the EU) is related to some degree with economic independence from EU political influence. Distinguishing the direction of the trade flows renders the factor 'Muslim country' as well as the effects of unconditional partnership insignificant but confirms the relevance of higher incentives levels, the geographical proxies for transnational exchange and the economic development variables.

Given the nature of the ordered probit model, it is not an easy task to quantify the impact of EU conditionality in a comparative static manner. A simple interpretation of the unstandardized regression coefficients is not possible, because the absolute size of the coefficients is not intuitively defined and the different effects of the constant on the different steps – the cut points – do not nicely (or even constantly) sum up. In Model (2), for instance, they add up to 9.2 rather than 6.0, which would be the difference between completely non-democratic and fully democratic countries according to the Freedom House scale.

However, we can relate the effects to the differences between the constant terms for the respective scale steps, i.e. the 'cut points' in the GLLAMM estimation. For all our GLLAMM results, the cut point differences are much larger for the two extreme steps than for the three intermediate steps. In Model (2), they are 1.4, 1.8 and 1.1 in the centre and 4.6 and 4.2 at the extremes.⁷ This indicates a centrifugal tendency in which the effect of the independent variables is about three times as large for 'partly free' countries as for 'not free' or (already) 'free' countries. In our main Model (2), a change in the EU incentives from low to high credibility membership for a partly free country would result in an increase of about 0.9 steps on the Freedom House scale. The difference between partly free countries with a credible membership perspective and those without any EU incentive is more than two scale points, after controls have been taken into account. This is a remarkable improvement in levels of democracy for those countries that are neither fully autocratic nor fully democratic. In our linear Models (6) to (8), the size of the coefficients (which can be interpreted intuitively) is in the same range, but the difference between the highly credible and the less credible membership perspective almost disappears because the credible membership perspective mostly applies to already free countries (see Table 2).

Another reason for including estimations (6) to (8) is to use them as a test for the robustness of the results against changes in estimation method. Estimation (6) uses a random-effects model that assumes the between-country effects to be distributed following the same distribution as the within-country effects. By contrast, estimation (7) uses a fixed-effects model that studies only the within-country effects, i.e. the changes over time, leaving between-country (i.e. cross-national comparative) effects out of study. Here, no coefficient for the effect of Muslim culture can be computed, since this variable is stable over time. Low intertemporal variation is also likely to be the reason why the proximity coefficient turns negative in this estimation. The 1995 enlargement of the EU (including Austria and Finland) brought the EU closer to a large number of non-democratic countries in the Balkans and in the former Soviet Union. All in all, both alternative estimations produce less satisfying results than the random-effects ordered probit model, but the results for political conditionality offering a membership perspective remain positive and highly significant.

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 (8) therefore uses a simple ordinary least squares estimation. Its coefficients are most easily interpreted and show that countries that are offered an EU membership perspective

Table 2 Robustness checks I: Alternative estimation methods

Dependent variable	(2)	(6)	(7)	(8)	(9)
	Freedom House political rights				
Lag length	4 years				
Partnership (1), no credibility (0)	2.132*** (2.971)	0.338 (0.402)	0.000 (.)	2.097*** (3.385)	1.951*** (2.709)
Partnership (1), low credibility (1)	0.543 (0.877)	-1.267*** (2.792)	-0.471 (0.785)	0.811 (1.398)	-1.000 (1.569)
Partnership (1), high credibility (2)	0.630 (1.066)	0.321 (1.125)	0.235 (0.862)	0.779 (1.392)	0.939 (1.583)
Association (2), low credibility (1)	2.236*** (2.803)	0.167 (0.194)	-0.228 (1.635)	2.473*** (3.667)	1.936** (2.418)
Association (2), high credibility (2)	1.829*** (2.765)	0.602* (1.930)	0.410 (1.377)	2.357*** (3.851)	1.666** (2.503)
EU membership (3), low credibility (1)	2.992*** (4.505)	1.158*** (3.732)	0.903*** (3.026)	3.335*** (5.781)	2.866*** (4.290)
EU membership (3), high credibility (2)	4.242*** (5.843)	1.187*** (3.691)	0.904*** (2.921)	3.386*** (5.782)	3.929*** (5.390)
GDP p.c., ppp, log	0.276 (0.718)	0.438 (1.538)	0.084 (0.291)	1.176*** (3.976)	2.955*** (7.337)
Life expectancy at birth, total (years)	0.134*** (3.769)	0.065* (1.855)	0.035 (0.957)	0.110*** (3.822)	0.134*** (4.403)
Muslim country	-2.067*** (4.602)	-2.395*** (2.968)		-2.436*** (7.013)	-1.111*** (5.462)
Democratic neighbourhood	0.703* (1.659)	-0.317 (0.869)	-0.514 (1.380)	0.797** (2.468)	2.264*** (5.491)

Table 2 continued

	(2)	(6)	(7)	(8)	(9)
<i>Dependent variable</i>					
					<i>Freedom House political rights</i>
<i>Lag length</i>			4 years		
Proximity to EU, direct land border	0.538** (2.512)	-0.329 (1.639)	-0.564*** (2.738)	0.598*** (3.289)	0.868*** (4.593)
EU trade, share of total trade	-0.806 (1.221)	0.351 (0.809)	0.556 (1.305)	-1.983*** (3.631)	-1.151* (1.737)
Year	-0.079*** (-2.790)	-0.009 (-0.712)	0.011 (0.811)	-0.109*** (-4.603)	-0.033 (1.169)
Constant		16.159 (0.628)	-20.808 (0.825)	207.507*** (4.427)	
No. of observations	385	385	385	385	385
Estimation	RE oprob	RE linear	FE linear	OLS	RE oprob
R ²				.686	

Notes: absolute values of robust z-statistics in parentheses.

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

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are on average more than three points above those without tangible EU incentives (on the seven-point Freedom House political rights scale). This represents a qualitative leap from a non-democratic to a democratic country.

Finally, one may ask how much the results may be driven by the fact that EU conditionality may itself be a result of the variables we controlled for. To test this 'collinearity hypothesis', we replaced each conditionality dummy with the residual (i.e. the error term) of a linear regression of this dummy on the six control variables of Model (2). Estimation (9) shows that all seven dummy regressions are highly significant: the mean absolute *t*-statistic of each control variable for the seven dummy regressions is above 2.6. This indicates that EU conditionality is indeed strongly tied to a country's situation. Nevertheless, although estimation (8) increases the effect of the control variables considerably (among these, again, the counterintuitive negative effect of EU trade share), it leaves the coefficients of the conditionality variables almost unchanged.

To further test the robustness of these results, we apply several changes to the specification of our basic model (Model 2). Model (10) in Table 3 increases the time lag from four to five years. This reduces the significance of the conditionality values, but the signs remain correct and accession conditionality still remains statistically significant.

Model (11) changes the dependent variable from Political Rights to Civil Liberties, thus covering a different dimension of liberal democracy, which is also annually assessed by Freedom House. 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 Muslim country dummy remain robustly significant across the different alternative model specifications. Model (12) shows that the results do not change substantially when the analysis is limited to non-democratic target countries. Whereas high-incentive conditionality and economic development remain highly significant, the transnational exchange variables prove insignificant or have the wrong sign. Finally, estimation (13) 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). This poor result may be due to the fact that variance in the conditionality changes is rather limited. Therefore we apply a measure that empirically condenses the effects of conditionality changes (using the empirical weights of Model (9)) and arrive at the result that, taken altogether, EU conditionality has a strongly significant effect even when analysing changes in democratic performance (estimation 14).

To give an overview of how robustly significant the different combinations of the size and credibility of EU incentives proved across different estimation methods and model specifications, Figure 2 provides box plots of the z - or t -statistics for each of the six conditionality dummies over the 13 models estimated. The box plots clearly reveal that the offer of membership is the only reliable EU incentive for promoting democracy in the European neighbourhood; none of the incentives short of a credible association perspective has been sufficiently significant to be counted upon as an effective instrument of democracy promotion. Credible association conditionality is a borderline case.

Conclusions

Is EU democracy promotion in its neighbourhood relevant and effective – and if so, under what conditions? This study started from core findings established by recent comparative analyses of EU democracy promotion in the CEECs: that the EU has successfully promoted democracy in its neighbourhood; that it owes its success to the use of political conditionality; and that the effectiveness of political conditionality depends on a credible membership perspective for the target countries. 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 exchanges as alternative mechanisms of democratization and second by increasing the number of observations to a large number (36) of target countries in the European neighbourhood and across a long time period (13 years). In addition, the study was motivated by the question of how effective EU democracy promotion would remain after the completion of the Fifth Enlargement.

We conclude from our analysis that the political conditionality hypothesis has passed the test but needs to be qualified. Only EU political *accession* conditionality has met the theoretical expectations. Across a variety of model specifications and estimations, and with plausible alternative factors of democratization controlled for, it has proven to be a robustly significant, strong and positive correlate of democratization in the European neighbourhood. Even when the membership incentives lacked credibility, i.e. when the membership promise was uncertain and accession was distant, the impact of EU political conditionality was statistically strong and robust (albeit less so than in the case of a highly credible membership perspective). Not any kind of conditionality works, however. Short of a membership perspective, association and partnership conditionality did not perform consistently better than no or weak conditionality – credible association conditionality being a

Table 3 Robustness checks II: Alternative specifications

Dependent variable	(10)		(11)		(12)		(13)		(14)	
	FH political rights	5 years	FH civil liberties	4 years	FH political rights, only non-democratic target countries	4 years	FH political rights, change	4 years	FH political rights, change	4 years
Partnership (1), no credibility (0)	0.839 (1.103)	0.839 (1.103)	-0.893 (1.292)	-0.893 (1.292)	1.015 (1.077)	1.015 (1.077)	Partnership (1), no cred., change	-0.010 (0.008)	-0.010 (0.008)	
Partnership (1), low credibility (1)	-0.934 (1.435)	-0.934 (1.435)	-2.512*** (3.680)	-2.512*** (3.680)	-0.891 (1.194)	-0.891 (1.194)	Partnership (1), low cred. (1), change	0.144 (0.184)	0.144 (0.184)	
Partnership (1), high credibility (2)	0.437 (0.732)	0.437 (0.732)	-0.700 (1.156)	-0.700 (1.156)	1.220* (1.708)	1.220* (1.708)	Partnership (1), high cred. (2), change	0.782 (1.370)	0.782 (1.370)	
Association (2), low credibility (1)	0.549 (0.643)	0.549 (0.643)	-1.471* (1.878)	-1.471* (1.878)	0.911 (0.890)	0.911 (0.890)	Association (2), low cred. (1), change	0.119 (0.089)	0.119 (0.089)	
Association (2), high credibility (2)	1.001 (1.480)	1.001 (1.480)	0.412 (0.586)	0.412 (0.586)	0.851 (0.996)	0.851 (0.996)	Association (2), high cred. (2), change	1.118 (1.521)	1.118 (1.521)	
EU membership (3), low credibility (1)	1.800*** (2.671)	1.800*** (2.671)	0.660 (1.013)	0.660 (1.013)	3.247*** (3.783)	3.247*** (3.783)	EU membership (3), low cred. (1), change	1.356* (1.934)	1.356* (1.934)	
EU membership (3), high credibility (2)	1.878*** (2.627)	1.878*** (2.627)	1.427* (1.917)	1.427* (1.917)	3.722*** (3.622)	3.722*** (3.622)	EU membership (3), high cred. (2), change	2.111*** (2.707)	2.111*** (2.707)	
GDP p.c., ppp, log	0.746* (1.699)	0.746* (1.699)	1.236*** (3.368)	1.236*** (3.368)	1.407*** (3.216)	1.407*** (3.216)	GDP p.c., ppp, log, change	0.212 (0.232)	0.212 (0.232)	1.001** (2.307) 0.419 (0.439)

Table 3 continued

	(10)	(11)	(12)	(13)	(14)
Dependent variable	FH political rights	FH civil liberties	FH political rights, only non-democratic target countries	FH political rights, change	FH political rights, change
Lag length	5 years	4 years	4 years	4 years	4 years
Life expectancy at birth, total (years)	0.127*** (3.327)	0.282*** (7.558)	0.086** (2.215)	-0.178 (1.251)	-0.153 (1.064)
Muslim country	-3.369*** (6.698)	-2.590*** (6.132)	-2.147*** (3.550)		
Democratic neighbourhood	2.117*** (4.699)	0.071 (0.158)	0.971* (1.786)	-0.039 (0.035)	0.098 (0.088)
Proximity to EU, direct land border	0.752*** (3.450)	-0.389 (1.591)	-0.737** (2.496)	1.013 (1.415)	1.008 (1.408)
EU trade, share of total trade	-0.013 (0.020)	-0.202 (0.315)	-1.118 (1.601)	3.155** (2.135)	2.984** (1.971)
Year	-0.024 (0.713)	0.051* (1.673)	-0.051 (1.633)	-0.003 (0.142)	-0.001 (0.036)
No. of observations	385	385	297	385	349
Estimation	RE oprob	RE oprob	RE oprob	RE oprob	RE oprob

Notes: absolute values of robust z-statistics in parentheses.
* significant at 10%, ** significant at 5%, *** significant at 1%

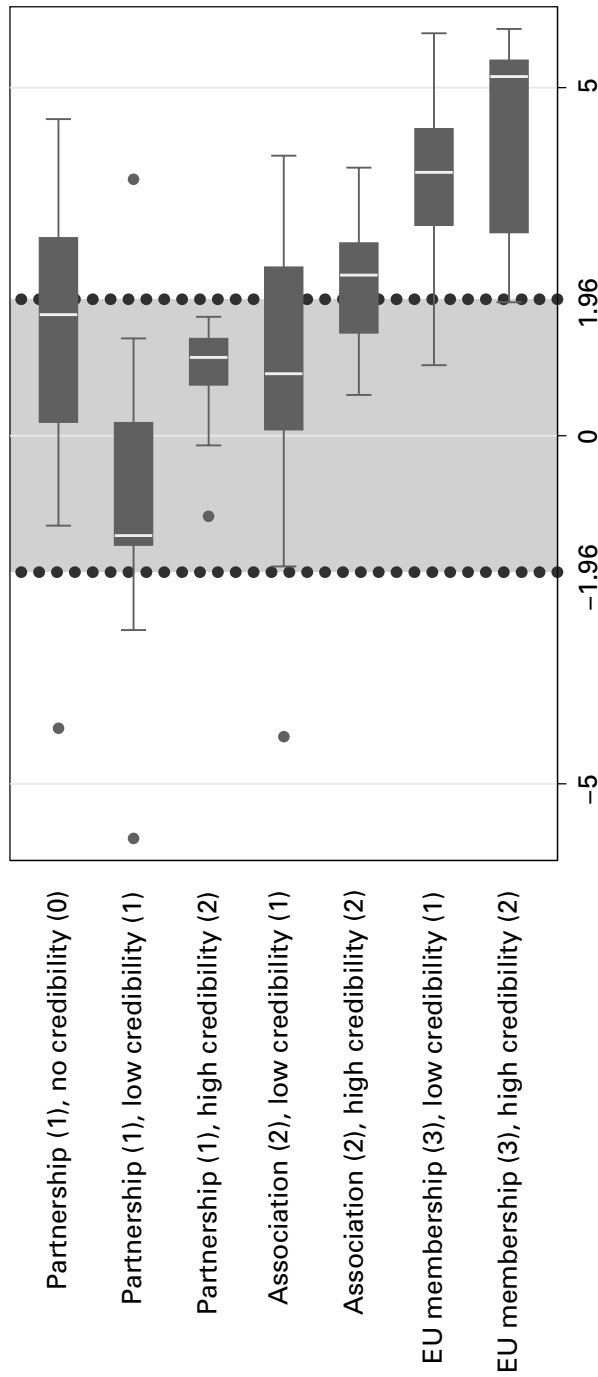


Figure 2 Box plots of z/t-statistics.

borderline case. In addition, we did not find the hypothesized linear relationship between the size and credibility of incentives and democracy below the level of credible association conditionality.

The alternative mechanisms of democratization were included in the analysis as controls rather than as test variables in their own right. The results should therefore not be interpreted as substantive findings on the causal relevance of economic development or transnational exchange. In view of the overwhelming empirical evidence in support of wealth (GDP per capita) as a factor of democratization, however, its statistical performance in our analysis was less than impressive. By contrast, life expectancy proved highly robust. This might indicate that, rather than pure income, quality of life more broadly defined may be more relevant in the region. The geographical proxies for the intensity of transnational transactions performed reasonably well overall. The highly varied kinds and impacts of transnational exchange that are covered by these proxies would need to be disentangled and analysed separately, however, in future research. The same is true for trade, which failed completely as an explanatory variable when aggregated but showed interesting and strong effects when imports and exports were distinguished.

Our final conclusions pertain to policy and the prospects of EU political conditionality. Although the European Neighbourhood Policy, which became operative only in 2005, and general developments since the completion of the Fifth Enlargement have not been a subject of the analysis, the findings may be extrapolated with some caution. According to our typology, the ENP would generally 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. It would thus not differ qualitatively from the European Mediterranean Policy (EMP). If the EMP experience and our analysis have any predictive value, the ENP will have at best uncertain and inconsistent effects as a policy of democracy promotion (Kelley, 2006; Maier and Schimmelfennig, 2008; see also Tovias and Ugur, 2004, for similar findings on economic policy reform in the Mediterranean countries).

The counterfactual conclusions that could be drawn from this analysis require even more caution. On the one hand, our findings seem to suggest that the EU could have a stronger impact on democratic change in its neighbourhood if it offered more neighbouring countries a membership perspective and even if it only made the political conditionality component of the ENP more credible without offering membership. On the other hand, the EU might be well advised to give up any political conditionality below the level of credible association conditionality, because it does not seem to have any systematic impact – other than undermining the credibility of the

EU's political conditionality and complicating negotiations and cooperation with the neighbouring countries.

Notes

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- 1 To highlight this point, we add an implicit simultaneous equation estimation in which conditionality is replaced by the residuals from its relation to economic development and transnational exchange in order to clearly separate conditionality from the other two mechanisms of democracy promotion. See Model (9) below.
- 2 As a technical precaution against reverse causality, we also lagged the dependent variable.
- 3 The exception is Belarus, where the EU has enforced conditionality more strictly than elsewhere in the former Soviet Union.
- 4 Web Appendix C reports the bivariate correlations between the independent variables employed. The highest intercorrelations ($> .5$) are not within the variable blocs but between socioeconomic and diffusion variables on the one hand and the conditionality dummies on the other. In particular, countries with a low credibility for partnership with the EU are unlikely to have democratic neighbours, and countries with a hardly credible association perspective are likely to be Muslim. Therefore, it may be difficult to identify the separate effects of these variables, and the relations between the correlated variables may be unstable (Judge et al., 1988: 860). But none of the correlations is a priori too high for joint introduction.
- 5 Note that the Brant test shows that the parallel regression assumption is not met, that is, the strength of the influence of EU policy on the regimes of its neighbourhood countries significantly deviates from being the same at every democracy level. Since tests with the generalized ordered logit model (using Stata's `gologit` procedure) showed that the main results are robust with regard to relaxing this assumption, we used GLLAMM's procedure to aggregate the results nevertheless.
- 6 We thank one of the anonymous reviewers for alerting us to this point.
- 7 To explain further: the cut point difference between Freedom House values 7 and 6 (not free) is 4.16, the difference between 2 and 1 (free) is 4.63. If we take the average between these two, 4.40, and divide it by the difference

between the unstandardized coefficients for the highly and weakly credible EU membership perspective in Model (2), 1.25 (4.24 – 2.99), we get 0.28. The change in credibility results in about a quarter step for countries at the ends of the Freedom House scale. For the values 3, 4 and 5, which are labelled 'partly free' by Freedom House, the respective cut point differences are 1.41, 1.85 and 1.12, on average resulting in a value of $1.25/1.46 = 0.86$. The change in credibility for countries in the 'partly free' range of the scale results in almost one democracy step. The cut point differences for the other GLLAMM models are available from the authors; they result in rather similar effects.

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