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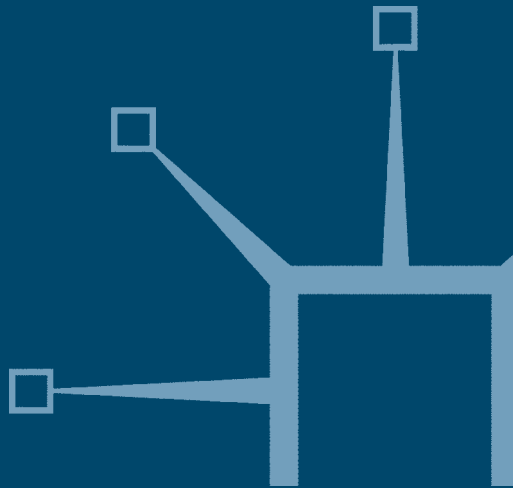
# Promoting Democracy and the Rule of Law

American and European Strategies

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Edited by

Amichai Magen, Thomas Risse and  
Michael A. McFaul



# Promoting Democracy and the Rule of Law

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## American and European Strategies

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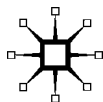
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STATEHOOD



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Thomas Risse and Michael A. McFaul 2009

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# Foreword

*Richard Morningstar*

*Former United States Ambassador to the European Union*

Democracy ranks high in the value systems of Americans and Europeans alike. Democracy is the bedrock of our respective political systems. What is less clear is when the United States and Europe should take steps as external actors to promote democracy in third countries. The United States and the member states of the European Union are at the very core of the liberal international order. We sometimes work at cross purposes but we are indispensable – together and apart – to the continued flourishing of social, economic and political freedom around the world. We struggle to design, deliver, monitor and evaluate democracy promotion programs, but without our combined efforts there would be a near total vacuum in this international field. For these reasons we need to discuss issues relating to democracy promotion in a systematic fashion.

This volume represents the first comprehensive effort to examine from a critical, analytical standpoint, American and European approaches to democracy promotion in different regions of the globe – from the Middle East and North Africa, to Southeast Asia, and from Latin America to the Caucasus. It successfully, in my view, compares and contrasts the modalities Americans and Europeans employ to promote democracy in different parts of the world, their philosophies, motivations and instruments. Such a comparison is critical, if we are to move away from platitudes, towards a serious, fact-based transatlantic dialogue about democracy promotion.

Democracy promotion became increasingly important in the lexicon of policymakers following the fall of the Iron Curtain and the collapse of the Soviet Union. Politicians on both sides of the Atlantic put tremendous pressure on their respective governments to help create market democracies in the former Communist states. We learned quickly that achieving democracy takes much more than waving a magic wand and our efforts were met with mixed success at best. The greatest success, of course, came in Central and Eastern Europe where the incentive of accession to the European Union had a major effect in transforming the candidates for accession. The experience in Central and Eastern Europe leaves open the question as to whether democracy promotion



can be successful in the absence of enormous incentives and a large-scale supranational structure to “lock in” democratic gains within a regional (or even global) system of economic and political integration. That question will be discussed throughout this volume.

Democracy promotion took on new meaning after 9/11 and the invasions of Afghanistan and Iraq. “Regime Change” became a favored term within the Bush Administration. By succeeding in Iraq, we would create a whole new Middle East comprised of democratic nations. As Michael Ignatiev, former professor at Harvard’s Kennedy School commented during informal lectures, this might be considered the “pulverization” theory of democracy promotion. This worked in Germany and Japan after the Second World War. The Middle East would be another story.

The critical point from a policy-making standpoint is that democracy and democracy promotion are multifaceted concepts that are difficult to define and often difficult to agree on. Understanding how democratization actually happens is even more complicated. There are many unanswered questions. This volume examines these questions and attempts to give answers. From that standpoint the volume is invaluable to policymakers on both sides of the Atlantic and beyond, as well as to multilateral development agencies – like the UN and the World Bank – and international NGOs, who now and in the future must think through what they are trying to do and the consequences of their actions.

Perhaps the most basic question that policymakers must consider is, What is democracy? What constitutes democracy? Does the definition depend on the particular country involved? Certainly democracy is more than free and competitive elections. Free elections are a component of democracy but not the only one. For example, with the Palestinian election of Hamas, we learned to be careful what we wish for. This volume will look at what we mean by democratic process, substance, and quality. As both Europeans and Americans appreciate more and more, rule of law and good governance are the key elements of democratic quality, and necessary ingredients of sustainable democratic development. Some think that because of the Bush Administration’s emphasis on regime change, a rift has developed between the US and Europe with respect to democracy promotion. It is a myth, however, to think that American policymakers and thought leaders do not recognize the importance of rule of law and good governance. These elements have been key aspects of US democracy promotion efforts, particularly in former Communist countries. At the same time it is a myth that Europe relies solely on soft power and emulation of the European model to

promote democracy. Europe is increasingly combining civilian and military power to achieve democratic goals; the Balkans being a prime example.

Another critical issue facing policymakers is whether democracy promotion should take a “top-down” or a “bottom-up” approach. Are both approaches necessary? When is a top-down approach achievable? Are there instances when policymakers should take a longer-term view, recognizing that democratic transformation can take a generation or longer? Will on the ground programs such as assisting NGOs and independent media, working with political parties and emphasizing exchange programs create meaningful change over the longer term? Exchange programs have been especially successful in this regard. For example, thousands of young high-school and college students from the former Soviet Union have studied in the United States. Each of these students returns to his or her respective country, usually with positive views of the United States and democratic values. They influence their family, friends and later co-workers. There is a clear multiplier effect.

Europe has been criticized for taking too much of a top-down government to government approach. Is this a fair criticism, or do Europeans practice extensive bottom-up strategies to promote democratization too? Where differences in philosophy and tactics do exist – and the chapters in this volume show that they do – what are the causes of such differences, and how far do they matter in practice? Only by gaining a better grip on these questions can we conduct a responsible, well-grounded transatlantic dialogue about the challenges of spreading the universal promise of freedom.

When considering the top-down approach, it is necessary to consider what conditions are necessary to achieve success. Again this volume analyzes these issues. The most successful example of democracy promotion has been in connection with European Union enlargement. The huge “carrot” of accession to the European Union, with defined requirements and defined goals, was arguably the primary factor that led to successful transformation. Can democracy promotion be successful when incentives are smaller or less immediate? Does NATO membership or OSCE membership create sufficient incentives? Will the European Neighbourhood Policy, which seeks to learn from the enlargement experience and reward progress on rule of law and good governance with closer association with the European Union, provide sufficient incentives?

The broader question lurking here for both Europeans and Americans is whether conditionality works? The US Millennium Challenge Account has

had some success in conditioning assistance on progress with democratic reforms. Imposing conditionality on assistance can be difficult. During recent years many have argued that conditionality should be imposed on assistance to Bosnia. The counter-argument has been that if conditionality were imposed, the fragile Bosnian government could fall apart. Another example involves Ukraine. During the 1990s the United States Congress conditioned assistance to the government of Ukraine on the Secretary of State certifying that Ukraine had made sufficient progress in achieving reforms and had made progress in resolving trade disputes with American companies. The Secretary made the necessary certifications under tremendous pressure, because to deny the certification and withdraw assistance would have had an extremely negative effect on the critical overall relations with Ukraine. Conditionality is a critical issue that policymakers will increasingly face across a multitude of international issue areas – from democracy and human rights, to security reform, to climate change. The lessons of conditionality in the area of democracy promotion, therefore, carry importance to other critical fields.

Another major issue is how to measure a country's capacity for democratic reform. Democracy promotion is impossible if a country does not have the capacity to effectively make and implement change. Are there change agents with sufficient influence to bring about change? Do change agents have greater influence than those whose self-interest would lead them to oppose reform? Do the incentives and other benefits of change outweigh the costs of adaptation? In the EU case, for example, the benefits of accession to the EU far outweighed the costs of democratic transformation, but only in countries that were already fledgling electoral democracies in the first place. The golden carrot of EU membership holds no attraction to autocrats such as Belarus's Lukashenko.

Further the United States and Europe must have credibility to be successful in promoting democracy. For enlargement and democratic reform to have been successful, it was necessary for the accession countries to have had the desire to be a part of Europe and to emulate European ideals. Countries must also desire the respectability of becoming a democracy. A counter-example is the experience of the United States in the Middle East. For many reasons, not all of its own doing, the United States has little credibility in many Middle Eastern countries, which makes democracy promotion efforts very difficult. Only when citizens of those countries feel that the United States is worthy of emulation and that they are being treated with respect and dignity can democracy promotion efforts be successful.

Another major issue discussed in this volume and which policymakers must address is monitoring the effectiveness of democratic reform. It is one thing to adopt necessary legislation and still another for that legislation to be internalized and implemented. Those opposing change may seek to continue to get away with as much as possible and resist implementation of new legislation. In other situations, what levers do the United States and Europe have to make sure that legislation is successfully implemented? Is this where conditionality can play a role? Are monitoring and reporting mechanisms sufficient? Does the overall nature of the particular bilateral relationship create enough leverage to force compliance? Can “naming and shaming” work?

An important area examined in this volume which policymakers must consider is what vehicles of democracy promotion work and what do not. How should the US and EU measure the efficacy of democracy promotion programs? For example, should exchange programs be evaluated by the number of participants they reach (an input measure) or by changes taking place as a result in a particular country (output measures)? How does one measure change if one looks at democratic change as a long-term process? With respect to programs designed to help countries enact specific legislation, does one measure success by adoption or by internalization and implementation which are difficult to measure?

Still another issue is, How should Americans and Europeans organize their democracy promotion activities? With regard to the US, should democracy promotion activities be coordinated by the White House, the State Department or a new department responsible for democracy promotion? What should be the role of Congress? Or the Pentagon? Or other departments, such as the Justice Department? Alternatively, should the US government get out of the democracy promotion “game” altogether, by providing grants to semi-independent foundations, such as the National Endowment for Democracy (NED), party foundations (like NDI and IRI) or even purely independent, civil society and private organizations? And with what oversight? Likewise in Europe, how should member state activities be coordinated with those of the European Commission and Parliament? How should responsibilities be divided between the Council and External Relations and Development directorates?

By examining the issues outlined above, this volume helps policymakers address future scenarios. How should the United States and Europe deal with emerging challenges in all parts of the world – from Iran and Pakistan, to Russia, Venezuela and Cuba? How do we deal with democratic fragility in countries as disparate as Kenya, Thailand, or Russia?

How should democracy issues be addressed in an increasingly multi-polar or even non-polar world where cross-border movements can have such an enormous influence on individual countries? How should policies be developed to address these new situations? What coordination mechanisms can the United States and Europe put in place to avoid duplication and maximize consistent policies? It is clear that transatlantic policymakers and academic thinkers must be brought together to work through these issues and to help establish an integrated, coordinated policy. This volume cannot, indeed it should not, provide conclusive answers to all these questions. Instead, it represents an excellent beginning to a critical conversation that will shape transatlantic relations, and the world at large, for decades to come.

## **Note**

Ambassador Richard Morningstar contributed to this book before joining the Obama Administration in January 2009. The views reflected in this publication are his alone and do not necessarily represent or reflect U.S. Government policy.

# Acknowledgments

This volume presents the first results from an ongoing cooperation between the Center on Democracy, Development and the Rule of Law (CDDRL) at Stanford University and the Collaborative Research Center (*Sonderforschungsbereich 700*) 'Governance in Areas of Limited Statehood' at the Freie Universität Berlin, Germany. The three of us, as well as Tanja Börzel, Stephen Krasner, Richard Youngs and Christoph Zürcher, decided to join forces in order to systematically investigate external efforts at democracy promotion in liberalizing, consolidating and post-conflict countries. When we started our endeavour, we noticed that we had little idea about the democracy promotion strategies and policies of two of the most important actors in this business, namely the United States and the European Union (EU). When this project began, it was more or less conventional wisdom that the US and the EU pursued hugely different strategies. In short, the US uses 'hard power' including military force to change regimes, while the EU concentrates on 'soft power' and persuasion. We thought from the beginning that this caricature of US and EU differences was widely off the mark and that we needed a much more finely tuned analysis.

Our joint project was incubated in Berlin, Brussels, Madrid and Boston, and finally brought to completion back in California. It is a truly transatlantic progeny, the upbringing of which entailed the accruing of numerous debts of gratitude, spanning at least two continents. Stephen Krasner and Thomas Risse developed the first ideas over dinner in Berlin in early 2004. They then endorsed Amichai Magen's idea of a comparative study into the way Americans and Europeans think about democracy promotion and go about pursuing it in their respective foreign policies. It was Steve's early support that launched the study through the funding and organization of an initial workshop on the topic held at Stanford in October 2004. In this connection, we would like to gratefully acknowledge the various contributions – including chapters in this volume – of our Stanford colleagues: John Barton, Coit (Chip) Blacker, Gerhard Casper, Larry Diamond, Desha Girod, Thomas Heller and Kathryn Stoner Weiss. What became the themes of this volume took shape through three subsequent gatherings. Special thanks are due to Michael Emerson of the Centre for European Policy Studies (CEPS) who, in June 2005, generously organized a follow-up meeting

in Brussels. Next, to Madrid, where in May 2006 – with the generous support of the German Marshall Fund (GMF) grant and the Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE) – our friend and colleague Richard Youngs (also a contributor to this volume) organized a workshop from which several draft chapters in this volume eventually emerged. The final project workshop took place in Stanford in March 2008 and was funded by Risse's Max Planck Price for International Cooperation. In between, we presented individual chapters of the volume at the 2008 Convention of the International Studies Association in San Francisco and the 2008 Annual Conference of the American Political Science Association in Boston.

We are particularly grateful to Palgrave Macmillan for accepting this volume to launch their new series on the *Transformation of Governance in Areas of Limited Statehood* edited by Thomas Risse and Ursula Lehmkuhl. In this context, special thanks go to Alexandra Webster and Audie Klotz who advised us on the project in the early stages.

Barack Obama has now taken over the office of the Presidency of the United States. His election not only brought about change in the US, it also represents a new beginning in the transatlantic relationship. Democracy promotion is a constitutive feature of the collective identity of the transatlantic community. We hope, therefore, that this book contributes to this spirit of community and helps to foster the cooperation between the US and the EU.

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# 1

## Introduction: American and European Strategies to Promote Democracy – Shared Values, Common Challenges, Divergent Tools?

*Amichai Magen and Michael A. McFaul*

In June 2004, President George W. Bush tried to leverage the US chairmanship of the G-8 summit to launch the centerpiece of his Administration's "forward strategy of freedom" for the post-9/11, post-Saddam Middle East. The new Mideast project would marshal American and European diplomatic and financial resources to press for greater social, political, and economic freedom from Marrakesh to Bangladesh. Well before G-8 leaders convened in Sea Island, Georgia, however, the Europeans (allegedly) leaked a draft of Bush's proposal to the Arabic newspaper *Al-Hayat* and demanded far-reaching revisions as a condition for their support. Eventually, the G-8 did inaugurate what it dubbed the Broader Middle East and North Africa (BMENA) initiative, but in a much diluted form from the one originally hoped for by the White House. BMENA then promptly sank into low-profile obscurity.

On both sides of the Atlantic, the Sea Island debacle seemed to confirm what Robert Kagan had observed exactly two years earlier – that "on major strategic and international questions today, Americans are from Mars and Europeans are from Venus: they agree on little and understand one another less and less" (Kagan 2002: 3). American officials now identified threats to their national security as emanating primarily from autocratic regimes hostile to the West and from lawless territories where terrorists could find shelter.<sup>1</sup> Part of the strategy for diminishing these threats, from the American perspective, was the rejection of

containment and the active projection of the institutions and values of political and economic freedom into Hobbesian regions of the world (Haas 2003). As President Bush stated explicitly in his second inaugural address, “The survival of liberty in our land depends on the success of liberty in others lands.”<sup>2</sup>

In contrast, many Americans believed that Europeans did not value democracy in the same way, did not perceive threats to the free world as emanating from badly governed states, and did not believe that the promotion of democracy could transform them. A secondary accusation was that Europeans were not serious about encouraging political transformation outside the transatlantic community, preferring to let Americans shoulder the heavy burden in Afghanistan, Iraq and elsewhere, while Europe luxuriated in the role of the “Metrosexual Superpower” (Khanna 2004) and served its own selfish economic interests.

In the years following the commencement of the Iraq War, in fact, the issue of democracy promotion in the Middle East and beyond has, in the minds of some, come to be seen as a new source of transatlantic discord and divide (Kopstein 2006). At the very least, the perception whereby “cowboy America” champions the spread of liberty around the globe through the barrel of a gun, while “timid Europe” urges caution and seeks stability over change, has infected elite discourses and distorted policy deliberations (Asmus and Pollack 2002; Hiatt 2005). “Never,” according to one commentator, “has America been more alone in spreading democracy’s promise” (Ignatieff 2005).

## **Democracy as a shared value, democracy promotion as a shared objective**

That conclusion would be enormously depressing if it were true. But it is not. As the extensive comparative analysis presented in this volume reveals, hyperbolic statements about American “imperialism” and European “impotence” mask substantial agreement across the Atlantic about the value of democracy and of democracy promotion as a foreign policy objective. Democracy as a constitutive norm of the West is stronger than ever before (McFaul 2004–2005; Gershman 2005; McFaul and Fukuyama 2007), while its promotion outside the transatlantic community has rapidly become an accepted and increasingly institutionalized foreign policy practice for both Americans and Europeans (Huber 2008; Magen and Morlino 2008).

Americans and Europeans now share the essential liberal insight that, as the 2006 National Security Strategy of the United States (NSS)

put it: “In the world today, the fundamental character of regimes matters as much as the distribution of power among them. The goal of our statecraft is to help create a world of democratic, well-governed states that can meet the needs of their citizens and conduct themselves responsibly in the international system” (White House 2006). Almost three years before the White House issued that NSS, in fact, the first European Security Strategy (ESS) – formulated by Javier Solana and adopted unanimously by the heads of state of the European Union – articulated an essentially identical vision for a democratic world order, and the policy recipe for getting there. “The quality of international society depends on the quality of the governments that are its foundations,” the ESS declared. “The best protection for our society is a world of well-governed democratic states. Spreading good governance, supporting social and political reform, dealing with corruption and abuse of power, establishing the rule of law, and protecting human rights are the best means of strengthening the international order” (European Council 2003).<sup>3</sup>

At the member state level too, European governments have – since the end of the Cold War, but particularly after 9/11 – gradually elevated the promotion of good governance and democracy abroad on their lists of foreign policy priorities (Youngs 2006). Under the premierships of both Tony Blair and his successor, Gordon Brown, Britain has, in particular, provided some of the most elegant deductive arguments for why the West must actively encourage the promotion of political freedom around the globe, as a matter of moral principle as well as enlightened self-interest. In March 2005, for example, then Foreign Secretary Jack Straw told a Labour Party convention that the West’s share of responsibility for the dearth of democracy in the Arab world “is not down to too much enthusiasm for promoting democracy, but too little,” and called on Western leaders to “set democracy as our compass.”<sup>4</sup> Straw’s successor, David Miliband, reiterated in February 2008 what he called “the democratic imperative,” arguing forcefully that transatlantic divisions over the war in Iraq must not “obscure our national interest, never mind our moral impulse, in supporting movements for democracy.”<sup>5</sup>

In what can only be viewed as a tribute to the success of democratic consolidation in Central and Eastern Europe, furthermore, the new member states of Poland, Hungary and the Czech Republic have also made the active promotion of democracy part and parcel of their national diplomatic and development assistance policies (Jonavičius 2008).

Nor, as the chapters in this volume demonstrate, is this all empty talk. Quantifying spending on democracy promotion is notoriously

tricky, but there is little doubt that – even when we discount American and European expenditure on post-conflict state-building efforts in Afghanistan, Iraq and the Balkans – democracy assistance spending has grown substantially over the past decade, on both sides of the Atlantic.

In the United States, funds allocated specifically to the promotion of democracy and good governance through USAID rose from an average of \$128 million per annum in 1990s to \$817 million in 2003 (Finkel, Perez-Linan, and Seligson 2007).<sup>6</sup> Moreover, the Bush Administration's various institutional innovations in the field – from the creation of BMENA and the State Department's new Middle East Partnership Initiative (MEPI) to the appointment of a new Deputy National Security Adviser for global democracy promotion – have carried additional funding. Most importantly, the Millennium Challenge Account (MCA), created in 2004, now maintains assistance compacts with 16 countries, totaling \$5.6 billion. For a country to become eligible for MCC funding, it must demonstrate performance in fighting corruption, strengthening civil liberties and the rule of law, and encouraging economic freedom (Melia 2006).

A parallel trend has emerged in Europe. From practically no organized government spending in the 1980s, the countries of the European Union now dedicate some \$1.3 billion per year directly to programs promoting good governance and democracy around the globe (Youngs 2006). Like the American MCC, moreover, the European Neighbourhood and Partnership Instrument (ENPI), created by the EU in 2006, seeks to tie the award of substantial financial incentives to demonstrated commitments on the part of recipient countries to specified political, regulatory, and economic reforms. For the period 2007–2013 (the current six-year budgetary cycle of the European Union), approximately €12 billion in EU funding is earmarked to supporting reforms in ENPI-recipient countries. In addition, a new EU Governance Facility will dispense €50 million per annum to those ENPI countries judged to have made the most progress in good governance.

All in all, therefore, Western democracies now invest billions of tax payer dollars and euros each year, with the explicit aim of promoting democracy in post-conflict, authoritarian, transitional, and pseudo-democratic states in every inhabited region of the world. Many more funds are channeled indirectly, under various titles – development, good governance, peace-building – through various global and regional multilateral institutions, trans-governmental networks, as well as private foundations (Magen 2009; Diamond 2008; Trebilcock and Daniels 2008).

Certainly, as several chapters in this volume discuss in detail, neither Americans nor Europeans have come close to making the advancement of liberal democracy their overarching foreign policy priority. And both can be legitimately criticized for compromising – and occasionally renegeing – on their rhetorical commitment to the spread of democracy. Yet on the goal of promoting democracy abroad we observe the emergence of an important transatlantic consensus, rather than divide. And on the mechanisms of translating that commitment into concrete policy, we find both Americans and Europeans struggling with substantially identical questions, but typically doing so in isolation from one another.

Above all, it is this isolation that we seek to put an end to. Mutual estrangement between Americans and Europeans over the global struggle for democracy is as unnecessary as it is pernicious to the fundamental interests of the free world. Against a background of mounting challenges to political freedom in the world – from radical Islam and a resurgent, authoritarian Russia, to the more diffuse dangers of financial crisis and poverty that threaten to unravel vulnerable democracies – the two central pillars of Western democratic power – America and Europe – need to alter the terms of their conversation about democracy promotion. Rather than paint each other's caricatures, Americans and Europeans need to ask themselves and each other: How can we do this better?

### **Democracy's triumph as ideal and political system**

The triumph of democracy as an ideal and system of government – and the commensurate declining appeal of alternative modes of government – constitute what is arguably the most important basis for the new normative consensus between Europeans and Americans. Two generations ago, political ideologies inimical to liberal democracy all but overran the continent. One generation ago, Europe itself was divided between democratic and authoritarian regimes. Because this ideological divide was so central to American and European strategic thinking, Western democracies tolerated and at times defended anti-communist, autocratic states as allies. In the 1970s and 80s, for instance, both Americans and Europeans supported the odious Ceausescu regime in Romania on account of its anti-Soviet tendencies. In a bipolar world, both the US and USSR fostered loyal protégés above all else. The Cold War dynamic discouraged potentially destabilizing political experimentations (Smith 1994; Whitehead 2004).

The end of the Cold War not only allowed for the expansion of democratic government into the former Communist bloc and non-aligned



group of states, it also eliminated a chief rationale for tolerating autocratic practices worldwide. As a bulwark against communist expansion in southern Africa, the Apartheid regime in South Africa could win supporters among Western democracies. The disappearance of bipolarity, however, undermined the already weak tolerance for white rule in South Africa. The collapse of the main ideological counterweight to capitalist liberal democracy also made more aggressive uses of US and European military, diplomatic, and economic power in the name of democracy promotion less risky. The larger role played by international actors (states, international organizations such as NATO and the EU, and NGOs) in the democratic transformation of Central and Eastern Europe and post-conflict stabilization of the Balkans has brought the international dimensions of democratization to the fore of academic study over the past two decades (Linden 2002; Magen and Morlino 2008; Pridham 2005; Schimmelfennig and Sedelmeier 2005; Vachudova 2005; Whitehead 2001). At the same time, more international actors came to wield more resources, and deploy more intrusive conditionality and monitoring instruments than ever before in the name of human rights, good governance and democracy (Magen 2009).

Even where authoritarians still prevail, they mostly no longer champion an alternative form of government, but either claim that their regimes *are* democratic (as in the case of Russian “managed democracy”) or that they are gradually moving their countries towards democracy (China, Egypt, Jordan, Kuwait, Saudi Arabia). Indeed, the appeal of the democratic ideal has produced a sea change in the way that the world is governed. By 2006, the number of democratic states in the world had grown from 40 in 1974 to 121; from fewer than 27 percent of the world’s total, to nearly 63 percent (Diamond 2008).

### **Eroding norms of state sovereignty and non-intervention**

In addition to sharing a belief in the virtues of democracy, European and American leaders increasingly have come to embrace norms favoring human rights over state rights. The notion of state sovereignty, although violated in practice for hundreds of years (Krasner 1999, 2001), has endured as a key principle of international law and continues to shape the conduct of international affairs. Nevertheless, during the past two decades, as new international rules protecting individual human rights have gained strength, the sanctity of sovereignty has eroded and pro-democracy interventions – both hard and soft – have proliferated (Chesterman 2001, 2004; Fox and Roth 2000).

In the 1970s and 1980s, East European dissidents invoked the 1975 Helsinki Final Act to demand the recognition of their human rights, and eventually they triumphed (Thomas 2001; Sharansky 2004). In the countdown to the fall of communism, both Americans and Western Europeans concerned to promote democracy abroad drew upon human rights norms to legitimize their actions (Tony Smith 1994; Karen Smith 2003). Although diametrically opposed in many ways, Presidents Jimmy Carter and Ronald Reagan both made the promotion of human rights a central theme of their Administrations. In Europe, democracy promotion abroad made its first cursory appearance in European Community (EC) documents with the 1986 Statement on Human Rights, the Foreign Ministers of the Community affirming “their commitment to promote and protect human rights and fundamental freedoms and emphasize the importance in this context of the principles of parliamentary democracy and the rule of law.”<sup>7</sup>

The end of the Cold War greatly accelerated this trend outside the transatlantic community too. In 1990 the UN sent its first elections monitoring mission to a sovereign state, Nicaragua, and by 1992 Thomas Franck could make a spirited argument in favor of a “democratic entitlement” in international law (Franck 1992; Crawford 1993). Throughout the 1990s the status and determinacy of the right to political participation were strengthened through pronouncements and the crafting of monitoring mechanisms by international actors, including the UN General Assembly, the International Covenant on Civil and Political Rights (ICCPR) Human Rights Committee, the European and Inter-American Commissions on Human Rights, the Organization of American States (OAS), the Organization for Security and Cooperation in Europe (OSCE), and the Council of Europe (Fox and Roth 2000; Rich 2001; Halperin and Galic 2005; Hawkins and Shaw 2008).

Most boldly, and controversially, military intervention for the defense of fundamental individual rights has gained in international legitimacy, and the protection of democracy now features prominently in the justification of such action (Chesterman 2001, 2004; Fox and Roth 2000; Fox 2003; Lynch and Singh 2008). In 1999, Australia sent its military forces to assist the restoration of public order and transition to democratic government in East Timor, as did the EU-15 in June 2003 in the unstable north-eastern Congolese region of Ituri. Even when Europeans and Americans have disagreed about the legality of the use of force in the run up to war – most notably in the case of Iraq – they have remained committed to the notion that post-conflict state-building

must strive to build democratic societies (Chesterman 2004; Dobbins et al. 2008; Fox 2003).

### **Democracy and development**

A third factor that has helped produce shared support for democracy in Europe and America is a new understanding of the relationship between good governance and democracy, on the one hand, and economic development, on the other.

Thirty years ago, the conventional wisdom animating the work national and multilateral development agencies, maintained that economic modernization would eventually create conditions favorable to democracy. “The more well-to-do a nation,” as Seymour Martin Lipset put it, “the greater the chances that it will sustain democracy” (Lipset 1959: 75). For policymakers this hypothesis offered a justification for tolerating antidemocratic practices in developing countries, especially when, as in many parts of East Asia, autocratic regimes were producing impressive economic growth. After all, in the 1970s and early 1980s, with the exception of Japan, it was “autocratic modernizers” in Korea, Indonesia, Singapore and Taiwan – not democratic India – that were achieving meteoric economic growth.

Until as late as the late 1990s, in fact, the Washington Consensus largely ignored questions of regime type, state institutions, the rule of law and corruption (Einhorn 2001; Fine, Lapavitsas and Pincus 2001; Fukuyama 2004). The Asia financial crisis of 1997–98, coupled with a mass of new research in development economics, challenged old assumptions about the relationship between regime type and development. The notion that reforming dictators are better at economic modernization is not supported by empirical data (Halperin, Siegle, and Weinstein 2005). Democracies may well produce slower rates of growth than the very best autocratic performers, but economic growth rates in democracies are steadier over the long run, and democracies are better at weathering economic crises when these inevitably strike (Barro 1997).

Indeed, the work of development economists and democratization scholars is now converging as never before. Several major studies and policy statements – including the World Bank’s World Development Reports since 1997, the UNDP Human Development Reports since 2002, and the 2005 “European Consensus on Development” statement – have argued, with supporting evidence, that democratic government encourages economic development.

The relationship between democracy and economic growth is complex and still somewhat opaque. But there is little doubt that “good

governance” and liberal democracy are not easily separated, and that the discovery that “institutions matter” to economic growth has now persuaded both Europeans and Americans that, at the very least, democracy need not be delayed to promote economic development (Woods 2005; Halperin, Siegle, and Weinstein 2005; Collier 2007). This paradigm shift in the development community has further eroded defenses for autocratic rule and enhanced the rationale for a shared transatlantic commitment to democracy promotion. Accordingly, pressures are mounting on the largest providers of international development aid – most notably the EU and US – to pursue a more “democracy-centered development strategy” Halperin, Siegle, and Weinstein 2005: 71).

### Democracy and security

Over the long run, few on either side of the Atlantic dispute the idea that Western societies have clear security interests in seeing the spread of democracy around the globe. But it is over the more immediate relationship between democracy promotion and security that serious analytic debates remain between Europeans and Americans, as well as *among* Americans and *among* Europeans (Roth 2000; Kopstein 2006; Bass 2008; Nau 2008).

The consolidation of democratic regimes in states formerly ruled by autocratic regimes and hostile to American and European interests has made Americans and Europeans safer. Liberal democracies do not attack each other. This hope about the relationship between domestic regime type and international behavior, advanced most eloquently by Immanuel Kant in *Perpetual Peace* centuries ago, received robust empirical validation in the twentieth century (Doyle 1983; Russett 1993; Russett and Oneal 2001). Today, every liberal democracy in the world has cordial relations with other democracies, while no consolidated democracy in the world seriously threatens another consolidated democracy.

Not all dictatorships in the world are foes of the United States or Europe, but virtually all foes of the US and Europe have been, and are, dictatorships or non-state actors that embrace antidemocratic ideologies. Those countries that provide safe haven to non-state enemies of the United States and Europe – notably Iran, Sudan and Syria – are also autocratic regimes. With rare exceptions, the median voter in consolidated democracies pushes extreme elements to the sidelines of the political arena. Democracies are also more transparent, which makes them more predictable actors in international politics.<sup>8</sup>

Extrapolating from this historical experience, President Bush and his foreign policy team have argued forcefully since 9/11 that the

expansion of democracy in the Middle East, Africa, and Southeast Asia, will make the United States and its European allies more secure. As Bush explained with particular reference to the Arab world, "Sixty years of Western nations excusing and accommodating the lack of freedom in the Middle East did nothing to make us safe – because in the long run, stability cannot be purchased at the expense of liberty. As long as the Middle East remains a place where freedom does not flourish, it will remain a place of stagnation, resentment, and violence ready for export."<sup>9</sup> Far from ensuring stability, Bush and others have argued, Western support for autocratic Arab regimes has contributed to political repression, underdevelopment and the empowerment of extremist groups. When combined with weapons of mass destruction, or even a conventional suicide belt, these would strike at the heart of Western capitals. It is this threat, more than any other factor, which has spurred the Bush Administration to embrace the idea of democracy promotion in the greater Middle East as a security objective.

Many Europeans agree in principle. But others within Europe (and other Americans, Democrats and Republicans alike) have a different view. Some have posited that greater political liberalization in the Middle East will lead to greater instability (Falk 2003). While fully developed, liberal democracies do not wage war against one another, they point out, the process of democratization is often precarious. Indeed, transitional democracies display a relatively *high* propensity for entering into inter-state conflict (Mansfield and Snyder 1995). Others worry that democracy in the Middle East will produce radical, anti-Western governments; a development that would further endanger the US, Europe, and their allies in the region. In this context, European leaders have reminded their American peers that "What is a geostrategic issue for the United States is Europe's backyard."<sup>10</sup>

Another set of critics claim that it is precisely Western involvement in the internal affairs of countries in the Middle East that has prompted terrorist attacks against the United States and Europe in the first place (Pape 2003). More aggressive attempts to reshape political institutions in the region, so the argument goes, will produce less security for citizens of the West, not more. Finally, others have questioned the power of democratic ideas and institutions in actually reducing the incidents of terrorist attacks (Gause 2005).

These are weighty and thorny issues that foreign policy elites on both sides of the Atlantic are likely to debate for decades to come. Despite hesitations about the short-term utility of democracy promotion as an instrument for enhancing Western security, broad based

support for the policy of democracy promotion policy remains with European and American publics. Indeed, European public opinion generally matches and on some counts exceeds levels of popular support for democracy promotion in America. According to the Transatlantic Trends poll conducted by the German Marshall Fund (GMF) in 2006, for example, 71 percent of Europeans believe that it should be the role of the European Union to help establish democracy in other countries. In contrast, only 45 percent of Americans surveyed by the same poll were of the opinion that it should be the role of the United States to do so.<sup>11</sup> A poll conducted by the Chicago Council on Global Affairs in September 2008, on the other hand, found that 76 percent of American respondents consider democracy assistance to other nations to be a “very important” or “somewhat important” foreign policy goal for the United States. Both the Americans and Europeans surveyed by the GMF, furthermore, displayed similar levels of tolerance for varying types of action to encourage democratization abroad. On average, 78 percent of Europeans and 69 percent of Americans supported non-coercive forms of activity – for example, monitoring elections and supporting human rights and religious groups. In contrast, 34 percent of Americans and 24 percent of Europeans supported the use of military force to promote democracy.

### **Comparing American and European strategies for democracy promotion: the analytical framework**

If Americans and Europeans are united by a normative commitment to democracy and the objective of its promotion outside the transatlantic community, do they also employ the same strategies for achieving this shared goal? To address the question, scholars responsible for researching and writing the comparative chapters in this volume were asked to follow a common analytical framework pertaining to the range of *logics* an external actor may wield in an attempt to influence a target country, the *nature* of the domestic actors targeted – state or societal – and the *pathways* of attempted influence – direct or indirect.

#### **Four “logics of influence”**

Drawing on different theoretical traditions in international relations, international law, and Europeanization studies, we identify four main institutional “logics of influence” by which an external actor may seek to *deliberately* promote democratic change in targeted domestic systems.<sup>12</sup>

*Control*

Control involves the de facto abolition, or suspension, of a state's Westphalian and domestic sovereignty – though not necessarily its international legal sovereignty (Krasner 1999) – and the effective seizure of its institutions of government and coercion by an external power which then proceeds to seek to transform the controlled state's domestic structures; what Ikenberry and Kupchan term “internal reconstruction” (Ikenberry and Kupchan 1990: 292). Historically, this logic of influence was exercised only where a victorious belligerent occupied a defeated rival in war – as in the case of the Allied occupation of Germany and Japan in the aftermath of the Second World War – or where an imperial power colonized another state or other territorial unit (Peterson 1997; Dower 1999; Killick 1999; Dobbins et al. 2003). In the post-Second World War international environment, a broader spectrum of control modes have emerged, including UN, NATO and EU mandated interim administrations (Scheffer 2003; Chesterman 2004; Recchia 2007; Dobbins et al. 2008). These exercise differentiated types of transitional authority – supervisory, executive, administrative, and monitoring (Shain and Linz 1995; Doyle 2003). In the contemporary international system, therefore, control as a logic of influence may be “heavy” or “light” – the latter involving efforts to avoid local dependency through the early or gradual transfer of control functions to indigenous authorities. It may exist for relatively short periods of time – as in the case of the EU intervention in the Democratic Republic of Congo (DRC) in 2003 – or involve open-ended, long-term trusteeship governments exercised by a succession of controlling agents, as in the case of Bosnia-Herzegovina and Kosovo (Dobbins et al. 2003, 2008; Chesterman 2001; Recchia 2007).

*Material Incentives*

Short of using force, international actors manipulate threats of punitive measures and promises of positive rewards to alter the cost–benefit calculations of domestic rulers in an effort to encourage democratic reforms within targeted states. The past two decades, as Whitehead observes, have witnessed “an explosion of international political and economic incentives for states to qualify as democracies, and these external reinforcements are widely expected to ‘lock in’ democratization processes in most or all properly administered states” (Whitehead 2004: 135–6).

Strategies that utilize the manipulation of material incentives can be analyzed along a negative–positive axis. Negative material incentives

refer to non-violent, but still punitive political, diplomatic and economic sanctions that are intended to weaken or topple authoritarian rulers (Hart 2000; Hufbauer et al. 1990; Smith 1995). The second, and more prevalently used, wields positive incentives in an effort to nudge non-democracies or fledgling ones, towards liberal economic, political and legal reform. Since the end of the Cold War, both Americans and Europeans have generated a wide range of policy instruments that link progress in democratization to the receipt of various international entitlements. These have included making collective recognition of new states and governments dependent on formal commitment to adherence to democratic practices (Murphy 1999; Fox 2003), and bundling the conferment of security, trade and aid benefits with acceptance of democracy and human rights clauses in contractual agreements (Halperin and Galic 2005; Horng 2003; Drezner 2007).

Another analytically useful distinction can be made within the category of positive material incentives, or positive conditionality, itself. On the one hand, *ex ante* conditionality refers to the practice whereby benefits are conferred on domestic actors *prior* to verification of their compliance with externally mandated reforms, or as a simple matter of reinforcement. Despite a recent, partial shift away from it, *ex ante* conditionality, where any form of conditionality is exercised in the first place, still characterizes the bulk of official development aid, and the form of engagement typically practiced by development agencies (Mosley, Hudson and Verschoor 2004; Svensson 2000). In contrast, *ex post* conditionality involves “reinforcement by reward” (Schimmelfennig, Engert, and Knobel 2003) whereby, in principle at least, benefits are conferred by an external actor only where, and once, the targeted domestic actor complies with the conditions. Where such compliance is absent or insufficient, the benefit is simply withheld.

Unlike control, the logic of influence underlying material incentives operates where domestic actors retain a substantial degree of autonomous political will. The material incentives model views targeted domestic actors as animated by a “logic of anticipated consequences and prior preferences” (March and Olsen 1998: 949). All material incentives-based strategies, in other words, follow an actor-based, rational bargaining logic, where domestic actors engage in cost–benefit analysis of externally driven reform demands. The potency of incentives, this logic understands, varies and can be shaped along several axes – notably the relative bargaining power of the actors involved (including the availability of realistic alternatives for the targeted state), the size and speed of rewards, the credibility of conditionality, the size and distribution



of domestic costs of compliance, and the determinacy of conditions applied (Schimmelfennig and Sedelmeier 2005).

### *Normative Suasion*

If material incentives rely on a logic of consequentialism, normative suasion assumes that domestic actors are influenced by a “logic of appropriateness” (March and Olsen 1998: 949). According to this approach, external impact on domestic democratic development is not reducible to material cost–benefit balancing of predetermined interests. Those interests themselves, rather, are the product of social structures and interactions. Since “actors who enter into a social interaction rarely emerge the same” (Johnston 2001: 488), external actors can facilitate the internalization of democratic norms, policies and institutions by targeted domestic agents – whether state or non-state actors – through social processes of induction, argumentation, deliberation and complex learning (Koh 1997; Risse, Ropp, and Sikking 1999; Risse 2003). Normative suasion is seen to be influential, therefore, where targeted state and societal beings come to perceive democratic institutions and principles as legitimate, fair and suitable for the needs of their society (Franck 1995, Risse, Ropp, and Sikking 1999; Checkel 2001).

As in the case of the material incentives approach, normative suasion may assume negative and positive forms. Both European and American actors wield a range of tools intended to “name and shame” targeted states into compliance with democratic practices. Normative pressure can assume a variety of unstructured forms, ranging from the placing of a telephone call to a foreign leader at a critical decision-making juncture to the use of more public statements, speeches or *demarches* that make use of the proverbial bully pulpit to apply “normative pressure” to a targeted decision-maker (Kelley 2004). Negative suasion can, and increasingly does, assume more formal, structured shapes as well. Both the US and Europe, for example, engage in International Elections Monitoring (IEM) to observe and report on elections, plebiscites and referenda (Carothers 1997; Santa-Cruz 2005). And both the US and EU compile and issue public reports on a host of human rights, rule of law, and governance issues in countries across the globe.<sup>13</sup> On the positive side, Americans and Europeans may seek to facilitate suasion and learning through the establishment and development of various “socialization fora” and the intensification of diplomatic, political, economic, professional, educational, cultural, and technological linkages between the West and state and societal actors in transitional countries (Levitsky and Way 2005; Magen 2006; Drezner 2007).

### *Capacity-building*

Finally, a fourth main logic of influence derives from a key tenet of managerial theory (Chayes and Chayes 1995), whereby compliance with international norms is largely achieved through knowledge sharing and the strengthening of domestic capacities. If “compliance” with the world value of democracy is to be improved, the managerialist school suggests, it is shortcomings in human, institutional and financial capacity that need to be addressed. Rather than seeking to influence the cost–benefit calculations, preferences or identities of targeted domestic actors, therefore, instruments reflecting a capacity-building logic of influence assume a domestic propensity to “comply” with democracy, and focus on empowering domestic actors to more fully do so through the provision of information, financial and technical assistance.

### **Targeting state or societal actors, directly or indirectly**

Democracy promotion strategies also differ depending on whether they engage the state – national and local government, legislatures, judiciaries, militaries, police forces, and regulatory agencies – or whether their attention and resources are primarily intended to influence society – notably public opinion and the free media, mass political movements, professional, women and minority group associations, religious, labor, educational, youth and cultural institutions (Kleinfeld and Nicolaidis, 2009). In practice, Western organizations engaged in democracy promotion are seldom found practicing pure forms of one approach to the total exclusion of the other. Yet whether an external promoter chooses to focus on the state or society as the nexus of domestic democratic development – whether it adopts “top-down” versus “bottom-up,” or “intergovernmental” versus “transnational” orientations – may reflect more than just preference derived from the promoter’s peculiar expertise and limitations. Whether deliberately or unconsciously held, rather, to a great degree the choice flows from differing assumptions about the process of democratization itself.

Do Americans fall on one side of this divide, and Europeans on the other? The existing literature answers this question in the affirmative, but is confused about which side favors a top-down, and which a bottom-up approach. On the one hand, Youngs finds that in the Mediterranean and East Asia the “profile of EU democracy assistance funding...suggested a bottom-up approach, oriented overwhelmingly to civil society support, and in particular human rights NGOs.”<sup>14</sup> In contrast, US efforts were characterized by “more top-down, politicized...assistance.”<sup>15</sup> A similar pattern is recorded by Grugel (2004)

in relation to Latin America. On the other hand, Kopstein identifies American democracy promoters as animated by a grassroots, civil society and mass mobilization notion of democratization – leading them to adopt bottom-up strategies – whereas it is Europeans who concentrate on the state as the perceived relevant nexus of domestic reform (Kopstein 2006).

In order to analyze American and European strategies fully, the authors of the comparative chapters in this volume were also asked to distinguish between “direct” and “indirect” efforts at democracy promotion. The former involve the promoting actor engaging directly with the targeted subject (whether state or societal); retaining full control of its activity, rather than working through intervening institutions. In contrast, indirect forms of democracy promotion refer to modes of promotion where the external actor establishes, supports or endorses other international actors, whether governmental or not, with the aim of enmeshing a targeted state in a liberal regional or global system, or otherwise exerting influence indirectly upon it.

### **Comparing American and European strategies for democracy promotion: main findings**

Applying the analytical framework outlined above to the democracy promotion activities of Americans and Europeans around the globe, what do we find?

At first glance, the differences may be more apparent than the similarities. To date, the most visible European instrument for promoting democracy has undoubtedly been the conditional offer of inclusion in the regional governance system itself. The magnetic “pull” which the EU exercised on neighboring countries since the end of the Cold War has indeed been unique among international and regional organizations in the world. The Union attracted democratizing countries in Central and Eastern Europe and beyond into its orbit and then compelled them to consolidate many democratic practices, procedures, and institutions before being offered EU membership (Pridham 2005; Vachudova 2005; Magen and Morlino 2008). In entering the EU’s “cooperative empire” (Cooper 2003) domestic democratic reformers are empowered and democratic practices are effectively locked into a liberal regional community.

In contrast, the US is commonly perceived to be in the business of “pushing” democracy. For those critical of American foreign policy, in other words, the US is “exporting” democracy without exposing itself to

the risks of inclusion within its own *corpus politicum*. This “push model” of democracy promotion has been seen by some commentators to have a shallower, narrower impact and a more coercive quality to it, especially as in Afghanistan and Iraq when American armed forces are involved in the process (Leonard 2005).

The European preference for engagement and integration as a grand strategy for democracy promotion also produces sharp differences in approach with the US regarding a number of autocratic regimes – such as Cuba and Iran – cases in which American officials have largely favored an uncompromising approach, including diplomatic and trade isolation, economic sanctions and direct assistance to opposition movements seeking to overthrow the dictatorships (Currie 2005; Milani, McFaul, and Diamond 2005).

Furthermore, some view Europeans as possessing a more expansive definition of what constitutes democracy promotion; a conceptualization which includes policies aimed at advancing social modernization, human equality and social solidarity, and peaceful resolution of conflict (Cremona 2004; Leonard 2005). Critics charge that this supposedly more holistic conceptualization masks a looser definition that in effect underscores the lower priority Europeans assign to the business of promoting overtly political democratic institutions and practices. This is reflected in differences of rhetoric used by officials in Brussels versus those in Washington that emphasizes a difference in priority and approach. Europeans almost never use the word “liberty” and sometimes shy away from “the D-word” in favor of phrases like “good governance” and “political modernization.” Where the language of democracy is used explicitly, it is usually bundled together in a pack of principles that also include fundamental rights, the rule of law, good neighborliness and respect for international law.

Upon closer inspection, however, these apparent fissures only capture part of the story and obfuscate what in most parts of the world, and in most instances, are markedly similar strategies. The US is not accepting any new members right now, yet Americans too make robust use of international and regional organizations – including NATO, the WTO, the OSCE, and the OAS – to embed countries in the liberal international order. Not only have Americans consistently supported EU expansion but, as Daniel Drezner recently argued, the Bush Administration has taken important steps to anchor emerging powers – notably Brazil, China, and India – in international forums in an attempt to make sure these rising giants buy into capitalist, pluralist institutions. Because these efforts lack the drama of war and have been

deliberately quiet affairs, they have flown under the radar of most observers (Drezner 2007).

Moreover, Europeans also deploy “push strategies” for expanding democracy. Well beyond the European neighborhood, a myriad of European initiatives rely on democratic conditionality and provide technical and financial assistance to new democracies that have no chance of joining the EU and to democrats struggling to overthrow antidemocratic regimes.

When looking at the specifics of European and American practices in promoting democracy within countries beyond the immediate orbit of the EU, in fact, the actual programs can look very similar. American and European agencies – notably the U.S. Agency for International Development (USAID) and the EU’s European Initiative on Democracy and Human Rights (EIDHR) and geographic programs (such as MEDA and the Cotonou framework) – fund a similar range of democracy aid projects, following a largely standard template of activities. For instance, in the post-Soviet world, the American method for fostering the development of civil society is hard to distinguish from a European approach. Likewise, American and European strategies for promoting free and fair elections often look very much alike.

Just as America is not, and has never been, all Mars, Europe is increasingly not all Venus. True, Europeans can and should do much more in Afghanistan and Iraq, but elsewhere it is they who are carrying a growing share of the burden of policing the world’s trouble spots. Since the late 1990s, in fact, either the EU collectively, or a European government, has taken the lead in armed operations to restore order and establish representative government in Albania, Sierra Leone, Macedonia, Côte d’Ivoire, Bosnia-Herzegovina, and the Democratic Republic of Congo (Dobbins et al. 2008).

In reality also, as the comparative chapters in this volume demonstrate time and time again, despite tensions and high politics differences, the post-9/11 period has produced notable convergence between American and European strategies in the Middle East, North Africa, Caucasus, and Asia, as well as on a host of thematic subjects relating to the design, pursuit and evaluation of democracy promotion programs. Indeed, as Susanne Gratius and Thomas Legler argue in Chapter 7, the greatest degree of divergence in democracy promotion strategies appears to exist in the Americas, not the Middle East.

Sometimes, European and American agents of democratic change *do* promote different policies. The death penalty, for instance, is viewed as fundamentally undemocratic by EU member states, and its abolition

has been made a formal precondition for accession. EIDHR has made the abolition of the death penalty one of its four thematic priorities.<sup>16</sup> In contrast, the United States, while it does not actively promote the adoption of the death penalty in third countries, clearly does not view the death penalty as inimical to liberal democracy. Occasionally, European and American policymakers and NGOs promote different institutional designs. American rule of law groups, for instance, sometimes push for the introduction of jury trials, while Europeans, for the most part, do not. In certain specific contexts, including most recently in Afghanistan, American officials have advocated a presidential system, a constitutional design rarely invoked by European democracy promoters. Yet, even regarding institutional design, it would be a gross mischaracterization to posit that Americans and Europeans *only* promote their own systems of government. Depending on the context, American democracy promoting groups are just as likely to recommend proportional representation as they are the American first-past-the-post electoral system. They are just as likely to push a parliamentary democracy as they are a presidential model, and federal as well as unitary systems of governments.

It is primarily in the development of strategies towards autocratic regimes that American and European approaches *sometimes* differ. We argue that these differences are principally a function of the different types and capacities of power that Europeans and Americans can deploy in the name of democracy promotion. Put simply, European states have limited coercive capacities to destroy autocratic regimes. Rather than confrontation, therefore, Europe's default mode for inducing internal change is "transformative engagement" and integration (Magen 2007). American leaders also practice engagement and integration as strategies for fostering regime change, but indirectly through multilateral institutions, and with lesser institutional density than the one achieved in Europe. On rare occasions, however, American leaders have also pursued coercive strategies, including at times direct military intervention, to foster democratic regime change.

Even this most dramatic historical difference may, as Tanja Börzel and Thomas Risse suggest in Chapter 2, be eroding – with Venus now approaching Mars. The new consensus on the regime type/security link, coupled with the rise of new global powers, is producing new demand for policy innovation in the field of democracy promotion; an impulse which has prompted learning and policy convergence between Europeans and Americans. Because American policymakers have become more interested in promoting democratic change in autocratic

regimes in the Middle East friendly to the US, the orientation of activities under the US's new Middle East Partnership Initiative (MEPI) now mirror those of the EU's Barcelona Process, whose mission has been the gradual promotion of political change in autocracies friendly to European interests. In the opposite direction, European policymakers have begun discussing the idea of a new European Democracy Fund that would competitively award financial assistance to developing countries that undertake measurable reforms, an approach to aid that the US's Millennium Challenge Account is also seeking to implement.

### **Explaining similarities and differences**

Although this volume examines the strategies Americans and Europeans use to promote democracy, and does not venture to evaluate their impact, in addition to identifying key differences and similarities in both their approaches to democracy promotion, we should seek to account for them. Three main factors help explain the differences observed. Where these variables are either absent or only weakly relevant, in contrast, we observe close similarities.

### **History and formative experiences in democracy promotion**

The historical contexts and main formative experiences that molded American and European democracy promotion policies have substantially varied. Since the birth of the United States, and even before, many American leaders have believed that their democratic system of government was not only responsible for the country's freedom and prosperity, but that it made the United States an example and a moral force in the world (Smith 1994; Cox, Ikenberry, and Inoguchi 2000; Nau 2008). Some have gone further, extrapolating from this belief an operational conclusion; that it was the responsibility of the United States to share its experience of democracy with the peoples of the world (Carothers 2004; Bass 2008). Different American administrations have placed different emphases on various aspects of democracy – be it free and fair elections, human rights, or a robust civil society – and have provided different justifications for American involvement; oscillating between “idealism” that trumpeted the morality of democracy and the universality of its promise, and “realism” that stressed the benefits of a liberal international political and economic order for American national interests (Nau 2008). And, the priority accorded to democracy promotion has also ebbed and flowed over time, varying both between administrations and even within the tenure of the same president (Smith 1994;

Goldgeier and McFaul 2003). Still, no American president has ever denied the importance of the objective, and even during the extensive periods when realists dominated American foreign policy, the goal was never completely abandoned. Indeed, President Bush's embrace of democracy promotion, far from amounting to a radical departure from the United States's foreign policy traditions, represents an affirmation of one of its oldest.

In comparison with the United States, EU member states are relative newcomers to democracy promotion. Prior to the end of the Cold War, Western European governments drew largely pessimistic lessons about the efficacy of democracy promotion, and the important role played by the European Community in underwriting democratic consolidation in Southern Europe in the late 1970s and early 1980s was only gradually grasped by European policymakers (Smith 2003; Whitehead 2004). At the same time, the consuming nature of postwar reunification *within* Europe itself, and the restrictions imposed on Western governments by the bipolar international environment have meant that democracy promotion emerged as a significant foreign policy objective of Western European national governments only from the early to mid-1990s onwards. A notable exception have been the German political party foundations (or *Stiftungs*), which were established in the aftermath of the Second World War and were the first outside-government, though publicly funded, institutions to support democratic institutions and programs in transitional countries. Indeed, the *Stiftungs* provided an important model for the establishment of the National Endowment for Democracy (NED) in the US in 1983.<sup>17</sup> Although the EU, *qua* EU, has become a leading international actor in the promotion of democracy, this too is a relatively new development, and one that attests to the substantial expansion of the EU's external ambitions in recent years.

A related historical consequence is the fact that the key formative experiences in democracy promotion have differed for Americans and Europeans. In essence, the postwar transformations of Germany and Japan mark the United States' clearest and most profound success in democracy promotion (Peterson 1997; Dower 1999; Killick 1999; Dobbins et al. 2003), whereas European leaders view the enlargement of the EU to Southern and then Central and Eastern Europe as having proven to be the Union's most successful foreign policy strategy (Magen 2006). The degree to which these different legacies shape contemporary American and European strategies for democracy promotion in different parts of the world is a question debated through several chapters in this volume. Still, it is clear that America's formative experiences have



entered contemporary policy discussions about Afghanistan, Iraq and the broader Middle East, whereas the enlargement experience continues to guide European thinking about democracy promotion in Eastern Europe, Turkey, the Balkans, North Africa, Middle East, the Caucasus, Central Asia, and beyond (Magen 2007).

### **International “actorship” and its consequences**

A second factor influencing variance in strategy in democracy promotion is the fundamentally different types of polities that the United States and the EU represent, which in turn determine in large measure how these different actors behave in the international system (Bretherton and Vogler 2006; Canizzarro 2002). Put simply, the United States is a modern nation-state, albeit an exceptional one in some respects, that is not seeking to expand its boundaries, whereas the EU is an evolving regional organization whose member states – 27 and growing – are engaged in an open-ended, long-term, multi-layered process of supranational governance system development.

This fundamental difference in “actorship” creates possibilities and imposes constraints which go some way towards explaining key differences between US and EU strategies for, inter alia, democracy promotion. As a modern national entity, the US maintains hard borders and has not brought new members into the Union for nearly half a century. The history of European integration, in contrast, has been one of continuous, peaceful territorial widening – though in the aftermath of the “big bang” enlargement to Central and Eastern Europe, which culminated in the accession of 12 new member states between May 1, 2004 and January 1, 2007, this momentum has stalled, with important consequences for democratic prospects in Turkey, the Balkans, Ukraine, Georgia and the Mediterranean region (Magen 2006; Rachman 2006; Youngs 2008).

While the US maintains a stringent separation between “ins and outs,” the EU has kept the question of borders deliberately fuzzy as a means of attracting and impacting the internal governance structures of neighboring countries (Magen 2006). Indeed, the EU has turned the conditional prospect of whole or partial inclusion in an integrated political and economic community into a *sui generis* strategy for deepening and locking in democratic transformations in peripheral countries eager for closer relations. The mechanisms by which the EU has pursued democratic enlargement now raise the crucial question of whether Europe’s “cooperative empire” (Cooper 2003: 78) has essentially reached its limits, and if so what will replace the “enlargement paradigm.”

The fragmented nature of EU external relations policy is in some respects aggravated by reliance on limited treaty provisions, consensus-based decision-making procedures, and the cumbersome three pillar system imposes formidable constraints on EU international actions, which American foreign policymakers do not face. The complexities of policy formation on democracy promotion in a multi-level governance system are formidable – involving the taking into account of national level policies, as well as the actions of the supranational institutions and the gravitas of the EU as an international actor more broadly. However, it would be wrong to assume that the United States government acts as a unitary actor with regard to democracy promotion. The process of policy formation on democracy promotion within the United States government can be as contentious and fragmented as the one in the EU, and can suffer from a similar lack of inter-agency coordination. Coherency is complicated by the presence of many American democracy promotion organizations that receive funding from the U.S. government but do not always act in accordance with the policies of the U.S. government.

### **Power and methods of democracy promotion**

A third factor, which may explain differences in strategy, is type and degree of power. The US is still a global hegemon with interests and influence in every corner of the world. In contrast, Europe remains primarily a regional hegemon, with interests and influence concentrated mainly, though not exclusively, in its “near abroad.” As the European Security Strategy puts it, “Even in an era of globalization, geography is still important. It is the European interest that countries on our borders are well-governed.”<sup>18</sup>

The neighborhood is thus placed in a privileged position in the European engagement agenda. Assuming this asymmetry remains, American leaders will have to maintain a wider range of tools for promoting democracy in different regions and in different kinds of regimes compared to their European counterparts. With geo-strategic interests in fewer countries and with lesser resources to project military power and a greater reluctance to use economic sanctions, Europe’s toolbox of engagement instruments is likely to remain concentrated on cooperative rather than coercive methods.

Perhaps most importantly, the United States has the capacity to engage or confront most autocratic regimes around the world. These power asymmetries also may produce different American and European attitudes towards multilateral tools for democracy promotion. The

United States has never relied on such institutions to conduct its foreign policy. Rather, successive US administrations, going as far back as Woodrow Wilson, have been torn between the desire to achieve the broad acceptance and legitimacy accorded by multilateral institutions, on the one hand, and considerations of decisiveness and utility, on the other (Patrick and Forman 2002). In contrast, Europeans see multilateralism both as an organizing principle among themselves and an essential tool for advancing their foreign policy interests outside of Europe, including democracy promotion (Krause 2004).

### **Organization of the book**

In the pages that follow, the contributors to this volume compare and contrast American and European strategies for promoting democracy across the globe, utilizing our shared analytical framework.

Chapter 2 sees Tanja Börzel and Thomas Risse unpack the general proposition which sees the US as favoring coercive strategies, while the EU relies on cooperative tools – emphasizing “engagement,” positive rewards, capacity-building, and multilateralism. Reviewing the range of instruments developed by the EU in the past two decades and deployed in different parts of the world, the authors demonstrate that the EU’s toolbox of democracy promotion instruments now covers the entire set of logics of influence identified in this chapter. Moreover, since the advent of the European Security and Defence Policy (ESDP), they argue, the ability and willingness of the EU to wield coercive tools in the name of democratic state-building has grown considerably. Venus Europe, the authors conclude, is clearly approaching Mars America.

In Chapter 3, Desha Girod, Stephen Krasner and Kathryn Stoner-Weiss analyze how American and European donor strategies reflect the consensus that political institutions influence economic development. Using Uganda as a case study, they investigate how US and EU policymakers react to worsening democratic conditions in recipient states, and whether development aid allocation actually responds to changes in target state governance conditions, rather than other strategic considerations.

In Chapter 4, Richard Youngs and Tamara Cofman Wittes argue that a close look at US and EU strategies towards the Arab Middle East reveals that, beyond the well-known tensions of recent years, these share many similarities – not least in suffering from the same weaknesses. Both actors made strong commitments to supporting Arab democracy in the wake of 9/11, and articulated an understanding that democratic development

in the Arab world was important to the security of Western states. Both actors have shifted some way back towards realist alliance-building. The authors argue that such similarities should encourage the EU and US to temper macro geopolitical competition and re-establish cooperation on Arab reform.

Like Youngs and Cofman Wittes, Vera van Hüllen and Andreas Stahn identify extensive American–European policy congruity. It is the state of a targeted country’s democratic development, they argue in Chapter 5, which is the critical determinant of both US and EU strategy. Using paired case study comparisons of authoritarian and semi-authoritarian countries in North Africa and Eastern Europe, the authors show cooperative engagement to be the “default option” for both American and European actors, with only minor variations in engagement philosophies.

Chapter 6 explores how the EU and US have been seeking to promote stability and democracy in the Southern Caucasus. The comparative study shows that both the EU and US have prioritized state and institution building in Armenia, Azerbaijan and Georgia – using financial assistance and political dialogue as the main instruments of engagement. Yet, Tanja Börzel, Andreas Stahn, and Yasemin Pamuk demonstrate, the US places more emphasis on democracy than the EU and is more likely to target societal, non-state actors in its engagement strategy.

The region of the world where EU and US strategies diverge the most, Susanne Gratius and Thomas Legler contend in Chapter 7, is not the Middle East or formerly communist Europe, but Latin America. Although the United States and the European Union overlap in terms of their technical democracy assistance programs – particularly in “problematic countries” such as Bolivia, Colombia, Cuba, and Venezuela – the authors show, Americans and Europeans typically act at cross-purposes from one another; lacking complementarity or coordination.

When do Americans and Europeans intervene to promote democracy, and with what effects? These questions are tackled by Rachel Kleinfeld’s analysis of EU and US policies towards Suharto, and post-Suharto Indonesia in Chapter 8. Economic implosion, not any action on the part of the US or EU, Kleinfeld argues, was the most decisive factor in the country’s movement away from authoritarianism. However, US bottom-up engagement during the 1990s set the stage for local actors to shape the aftermath of autocracy in a democratic direction. When the EU became engaged after the democratic transition, both EU and the US employed a similar set of intervention methods. Their activities, the author asserts, showed the difficulties of employing direct incentives

and persuasion in a sensitive, post-colonial country. However, the U.S. played an important role through its capacity-building of non-state actors during the 1990s. Its ongoing indirect support of these groups proved crucial to guiding Indonesia through its chaotic transition and towards democracy.

Thomas Risse's concluding chapter, finally, pulls together cross-cutting themes, and looks to the future of US and EU efforts to promote democracy around the globe. Are Americans and Europeans moving towards a transatlantic strategy of democracy promotion?

## Notes

Michael McFaul contributed to this book before joining the Obama Administration in January 2009. The views reflected in this publication are his alone and do not necessarily represent or reflect U.S. Government policy.

1. The shift in threat perception is evident in the National Security Strategy issued by the White House in September 2002, which declared that "America is now threatened less by conquering states than we are by failing ones" (available at [www.whitehouse.gov/nsc/nssall.html](http://www.whitehouse.gov/nsc/nssall.html)).
2. Second Inaugural Address of President George W. Bush, January 20, 2005 (available at [www.whitehouse.gov/inaugural/](http://www.whitehouse.gov/inaugural/)).
3. These sentiments and rationales for democracy promotion are now articulated in numerous EU statements. See, for example, Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy, Remarks on democracy promotion, Democracy Promotion: The European Way. Conference organized by the European Parliament's Alliance of Liberals and Democrats for Europe, Brussels, December 7, 2006 (available at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/790&format=HTML&aged=0&language=EN>).
4. Quoted in *Democracy Digest* Extra, March 18, 2005 (on file with authors).
5. Foreign Secretary, David Miliband, The Democratic Imperative, Speech at the Aung San Suu Kyi Lecture at St Hugh's College, Oxford University, February 12, 2008 (available at [www.fco.gov.uk/resources/en/speech/2008/02/fco\\_hp\\_nsp\\_milibanddemoc120208](http://www.fco.gov.uk/resources/en/speech/2008/02/fco_hp_nsp_milibanddemoc120208)).
6. These figures do not take into account the enormous costs of post-conflict reconstruction and attempts to build state institutions in Afghanistan and Iraq.
7. European Political Cooperation, Statement by the Twelve on human rights, Brussels, July 21, 1986.
8. Democracies make fewer threats to use force, but do so more credibly (Shultz 2001).
9. Address of President George W. Bush at the 20th Anniversary of the National Endowment for Democracy, United States Chamber of Commerce, November 6, 2003 (available at [www.whitehouse.gov/news/releases/2003/11/20031106-2.html](http://www.whitehouse.gov/news/releases/2003/11/20031106-2.html)).

10. Address of the Rt. Honorable Lord Christopher Patten of Barnes, "The Transatlantic Family – Counseling, Mediation, Or Divorce," Arthur and Frank Payne Distinguished Lecture, Stanford Institute for International Studies, April 7, 2005 (available at <http://iis-db.stanford.edu/evnts/4120/Patten.pdf>).
11. German Marshall Fund, *Transatlantic Trends 2006 Partners* (Washington: German Marshall Fund of the United States, 2006):11 (available at [www.transatlantictrends.org/](http://www.transatlantictrends.org/)).
12. In practice, of course, external influence may not be limited to deliberate, strategic policies, but may also flow from inadvertent, uncoordinated and diffuse factors in the international system, as well as from autonomous, endogenously driven lesson-drawing. See: Rose 1993; Meyer et al. 1997; Dolowitz and Marsh 2000; Schimmelfennig and Sedelmeier 2005). Since this volume examines the deliberate strategies of Americans and Europeans for democracy promotion, we do not address these inadvertent factors.
13. The Bureau of Democracy, Human Rights, and Labor of the U.S. Department of State, for example, is mandated under the Foreign Assistance Act (FAA) to submit to Congress annual country reports on human rights practices and democratic government. The first reports, compiled in 1977, covered 82 countries receiving US aid, whereas in 2006, 196 reports were presented to Congress.
14. Richard Youngs (2001) at 363.
15. Ibid.
16. European Commission, *The European Union's Role in Promoting Human Rights and Democratization in Third Countries* (2001), COM (2001) final 252.
17. As the president of the National Endowment for Democracy (NED), Carl Gershman observes, the role played by the largest of the German party foundations – the Konrad Adenauer Stiftung of the Christian Democrats and the Friedrich Ebert Stiftung of the Social Democratic Party – in the democratic transitions of Portugal and Spain in the 1970s "caught the attention of officials in the United States and was an important factor leading to the creation of NED in 1983" (Gershman 2005: 27).
18. European Security Strategy – A Secure Europe in a Better World, Brussels, December 12, 2003, (available at <http://consilium.europa.eu/uedocs/cmsUpload/78367.pdf>), at 7.

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# 2

## Venus Approaching Mars? The European Union's Approaches to Democracy Promotion in Comparative Perspective

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With the end of the Cold War, democracy promotion has been mainstreamed into the development strategies of international organizations such as the UN or the World Bank, but also of individual Western states such as the United States, or the Federal Republic of Germany. The EU is no exception. In fact, the EU has been among the first of any Western state or international organization to write human rights, democracy and the rule of law into its agreements with external partners. The Lomé IV agreement of 1989 between the EU and the so-called ACP countries (African, Caribbean and Pacific Group, mostly former colonies of Great Britain, France and Belgium) was the first multilateral development agreement to include political conditionality. Ten years later, in 1999, the EU adopted the European Initiative for Development and Human Rights (EIDHR) as a comprehensive strategy 'in support of democratization, the strengthening of the rule of law and the development of a pluralist and democratic civil society' (EIDHR 976/1999, preamble).

Today, the EU has a comprehensive approach for democracy promotion in place governing its external relations with third countries. This includes the so-called 'circle of friends' and the 'neighbourhood policies' towards Russia, the so-called Newly Independent States (NIS = former Soviet Republics), the Balkans, the Southern Mediterranean countries, but also EU relations with Africa, Latin America and Asia. As we will show in this chapter, the instruments used by the EU to promote human rights, democracy, the rule of law and 'good governance' look surprisingly similar across the globe.

Thus, both the US and the EU (and its member states) agree that democracy promotion ought to be a centrepiece of their foreign and security policies. In this sense, both follow a world cultural script according to which democracy is good for international security and development (see also concluding chapter by Risse). It is less clear, though, whether the EU and the US see eye to eye when it comes to strategies and instruments for democracy promotion. Conventional wisdom holds that the US uses more aggressive strategies and instruments including negative sanctions, coercion, unilateral policies, and even the use of force for regime change, as the example of Iraq appears to demonstrate. In contrast, the EU allegedly assists democratization efforts primarily through cooperative tools, emphasizing constructive engagement, positive rewards, capacity-building, and multilateralism. In short, while the US is from Mars, the EU resembles Venus, as Robert Kagan put it back in 2002 (Kagan 2003). The US invades other countries to further democracy, while the EU nurtures and engages them. Various other concepts are floating around in the discourse to describe the EU's approach to foreign policy, including 'normative power Europe' (Manners 2002; Scheipers and Sicurelli 2007); 'postmodern state' (Cooper 2000) or 'civilian power' (Duchêne 1972).

In this chapter, we take issue with these stark and contrasting picture painted in the literature. We focus on the EU and argue that the EU's democracy promotion toolbox now contains strategies and instruments covering the entire set of logics of influence as identified in the introduction to this volume: from capacity-building to attempts at persuasion and learning to positive and negative incentives as well as, finally, coercive tools included in the European Security and Defence Policy (ESDP). In this sense, Venus Europe is clearly approaching Mars America.

At the same time, however, the EU's material and ideational resources put into democracy assistance still focus on capacity-building and more cooperative strategies of influence. Coercive tools and negative conditionality are employed rather reluctantly, if at all. Of course, one has to take into account here that EU member states such as the United Kingdom, France and even Germany do not shy away from engaging military force to promote their values and to enforce peace and security. On the whole, however, the EU is still more a 'civilian power' than anything else, unlike some observers have suggested (cf. Manners 2006).

This chapter provides an overview on the strategies and instruments for democracy and governance promotion that the EU has developed over the past 20 years and employed in the various regions of the

world.<sup>1</sup> We focus on the EU rather than the individual member states realizing, of course, that the picture remains a bit incomplete as a result. Moreover, the chapter is confined to analysing the policies as revealed in the various documents. We ask whether the EU actually tries to implement what it professes to do, namely to promote democracy and 'good governance'. We are not concerned here with the effectiveness of these efforts on the ground.

We proceed in the following steps. First, we review the evolution of EU policies for promotion of human rights, democracy and the rule of law, according to regions of the world and particular instruments. Second, we look at the various ESDP missions for peace-, stability- and state-building as complementing efforts at democracy promotion. We conclude with some general observations on whether the EU still qualifies as a 'civilian power'.

## **EU policies for the promotion of human rights, democracy and the rule of law**

### **Overview**

Democracy promotion has become a centrepiece of the EU's foreign policy and it is backed up by considerable financial and personal resources. Just to give a rough idea: the EU foreign aid managed by the EU Commission represents about 11 per cent of all Official Development Assistance (ODA) having spent over €7.5 billion in 2005. Combined with foreign aid by individual member states, the EU is the world's largest donor as it accounts for more than 50 per cent of the global ODA.<sup>2</sup> While precise data on democracy promotion funds are hard to come by, the EU and the eight member states that are the largest donors for democracy assistance spent ca. €2.348 billion on various democracy programmes in 2006/2007 (Youngs 2008: 10), compared to ca. €1.72 billion (\$2.65 billion) by the US State Department and USAID in 2007.<sup>3</sup> The financial perspective of the European Instrument for the Promotion of Democracy and Human Rights (EIDHR) alone envisions for the period of 2007–2013 a financial envelope of €1.1 billion which amounts to roughly €160 million per year to promote civil society efforts promoting human rights and democracy.<sup>4</sup> Thus, if we add the EU's humanitarian aid programme ECHO, the EU's own funding for democracy, human rights, and good governance already exceeds comparable US programmes.

With the financial perspective of 2007–2013, the EU launched another attempt to mainstream its democracy promotion approach. Existing

programmes were replaced by a whole set of new instruments for development cooperation (DCI), stability (IfS), pre-accession assistance (IPA), and neighbourhood and partnership (ENPI). This new generation of instruments for cooperation is less geared towards specific regions but targets specific types of countries (post-conflict, developing, accession, neighbourhood). Moreover, all instruments contain the explicit goal of democracy promotion supported by a suspension clause. As a result of this democracy mainstreaming, the EU Commission had planned to abolish EIDHR. But due to the opposition of the European Parliament, EIDHR was preserved (see also below).

The various policies developed through an incremental process of 'learning by doing' rather than a great master plan. The instruments adopted were initially developed for the ACP countries, then 'travelled' simultaneously to the Eastern enlargement process, to Russia, the NIS countries, the Mediterranean and the relations with other third countries. While there is an explicit effort at exporting European values and – most recently – to distinguish these values from overall Western (and American) ones, the underlying assumption of these programmes implies that the world can be shaped according to European democracy and welfare state standards (including the export of the European model of regional integration). This 'our size fits all' (Bicchi 2006a) approach shows little sensitivity for national or local cultures and values, let alone an effort at exploring functional equivalents for Western democratic statehood in weak, failing or failed states. National and local considerations only come into play through the implementation of the programmes on the ground. The 'top-down' approach of EU democracy promotion has only changed very recently with the recognition that institutional models to promote democratic governance have to take into account the situation inside the particular country (see e.g. European Commission 2006: 5, 9; cf. Jünemann and Knodt 2007).

We will now briefly examine the history of the various EU efforts at promoting human rights, democracy and the rule of law.

### **EU development policy: towards economic and political conditionality**

Until the end of the 1980s, EU development policies mainly granted preferential trade agreements and financial aid to the former colonies of member states. It centred on the Lomé Agreements, the first of which was signed in 1975 between the EU and the African, Caribbean and Pacific Group (ACP countries). Political considerations became explicit for the first time in Lomé III (1985–90), which announced the



commitment of EU and ACP countries to human dignity (including the value of the human person and equality between genders), and economic, social and cultural rights (preamble, Art. 4 and annex I). But the agreement did not provide for any sanctions in cases of violation of these norms.<sup>5</sup>

It was the Lomé IV<sup>bis</sup> Agreement (1995–2000) that marked the beginning of both economic and political conditionality in EU development policy (see also Santos 2006 for the following). In previous agreements, the ACP countries had successfully prevented the EU from introducing clauses on democracy and human rights. Lomé IV, by contrast, included provisions on democracy, human rights, and the rule of law for the first time, without, however, linking them to specific sanctions. The revision of Lomé IV upgraded the provisions on democracy, human rights and the rule of law making them into the essential condition for development cooperation with the EU (Art. 5). Art. 5 of the Lomé IV<sup>bis</sup> Convention also mentions good governance for the first time. Most importantly, Lomé IV<sup>bis</sup> implemented a two-track approach to development cooperation. The pro-active promotion of these principles through financial assistance and political dialogue (Art. 30.3) is complemented by re-active sanctions in case of their violation. The EU invoked the suspension clause several times in the 1990s, e.g. against Nigeria, Rwanda, Burundi, Niger and Sierra Leone (Holland 2002: 134).

The Cotonou Agreement, signed in 2000 and valid until 2020, terminated the Lomé system. Not only does Cotonou reiterate the nexus introduced by Lomé IV between development, democracy, human rights, the rule of law and good governance, but it also broadens the scope of development cooperation to peace-building and conflict prevention stressing ‘an integrated approach taking into account at the same time political, economic, social, cultural and environmental aspects of development’ (Art. 1.2). Moreover, political conditionality was strengthened. Title II develops the political dialogue into a pro-active instrument of conflict prevention in the area of peacekeeping, human rights, democracy, the rule of law and good governance. Art. 8.2 stresses the preventive character of the political dialogue which shall preclude the use of sanctions. It shall foster the exchange of information and the development of a mutual understanding of the meaning and application of the principles and strategies laid down in the Convention.

The underlying approach corresponds closely to the Open Method of Coordination (e.g. Hodson and Maher 2001). Unlike in previous Lomé Agreements, the EU no longer unilaterally imposes certain development policies. Rather, goals and principles shall be formulated in consensus

with the developing countries and jointly evaluated on the basis of formerly agreed-upon benchmarking criteria. Periodic monitoring, evaluation and peer review shall induce processes of mutual learning through the diffusion of best practice. These processes of coordination are complemented by reinforced efforts at capacity-building. In Cotonou, capacity-building is no longer confined to the public sector but includes the strengthening of civil society (Art. 7). Non-governmental actors, including the private sector, have a right to be consulted and incorporated into the political dialogue. They will get involved in projects and qualify for support of organizational capacity-building and financial assistance. Yet, soft coordination and capacity-building still take place in the shadow of sanctions. The suspension clause is retained and extended to good governance, but only as far as serious cases of corruption are concerned, which significantly narrows the enforceable parts of good governance.

Cotonou made EU financial assistance, mostly provided by the European Development Fund, conditional upon the performance of the recipient country with regard to certain indicators including the implementation of reforms on democracy, human rights, the rule of law and good governance (see also Chapter 3, this volume, Girod, Krasner and Stoner-Weiss; for an excellent assessment see Beck and Conzelmann 2004). In contrast to Lomé IV, the EU now has complete discretion in the allocation of its development funds. The decision, however, which specific programmes and projects are to be funded with how much money, is subject to negotiations with the individual recipient countries. Since the conditions for resource allocation are no longer fixed by the agreement but to be negotiated, the procedural regulations create a strong incentive for the recipient countries to comply with the principles guiding EU development policy.

In sum, EU development policy changed significantly during the 1990s. The EU has subsequently institutionalized democracy, human rights, the rule of law and good governance as the guiding principles of its development policy. In order to promote these principles, the EU gives priority to a 'positive approach'. Rather than pressuring recipient countries into compliance, an 'open and constructive dialogue' is supposed to stimulate the respect for human rights and encourage democracy. EU development policies nowadays employ all three logics of influence with an emphasis on persuasion and learning as well as positive conditionality and capacity-building, while negative incentives such as sanctions are used as a last resort. In recent years and similarly to the US Millennium Challenge Account (MCA; see Chapter 3, this volume, by

Girod, Krasner and Stoner-Weiss), the EU also uses performance-based allocations for funds to support good governance.

### **EU enlargement policy: from association to accession**

Eastern enlargement has been the most ambitious effort of the EU to promote democracy, human rights and the rule of law in third countries. The prospect of membership helped transform ten former communist countries into consolidated liberal democracies with functioning market economies in less than 15 years. Since so much has been written on Eastern enlargement, we can be rather brief here (e.g. Kelley 2004; Schimmelfennig 2003; Schimmelfennig and Sedelmeier 2005; Gheciu 2005; Vachudova 2005; Grabbe 2006).

After the collapse of communism in Central and Eastern Europe, the EU started to shift its priorities from the ACP countries to the transition countries. In doing so, the EU used policy tools developed in its cooperation agreements with the ACP countries and adapted them to the situation in Central Eastern Europe. The 'Europe Agreements' were meant to support the economic, political and social transition in Central and Eastern Europe. They contained provisions on democracy, human rights and the rule of law, without linking them to an explicit suspension clause. The 1993 Copenhagen European Council then formally accepted the possibility of membership of all associated CEE countries – provided that they achieve (1) a functioning market economy; (2) stable institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities, and market economy, and (3) the ability of implementing the *acquis communautaire* (Copenhagen criteria). Thus, the Europe Agreements became the framework for the applicant countries' integration into the EU. While making accession conditional upon *ex ante* compliance with the Copenhagen criteria (i.e. positive conditionality), they still contained no explicit suspension clauses. These were introduced by the so-called Accession Partnerships in 1998, which defined specific priorities in the accession process agreed upon between the Commission and the candidate country, making financial aid conditional upon compliance with democratic principles, human rights, the rule of law and market economy. Failure to respect these general conditions could lead to a decision by the Council on the suspension of pre-accession financial assistance (negative conditionality). Likewise, the EU can postpone the opening of accession negotiations if candidate countries refuse to comply, as the EU did in case of Slovakia in 1997 (cf. Henderson 1999).

Nevertheless, negative conditionality was hardly ever invoked. As in development policy, pre-accession financial assistance was meant to help candidate countries comply with the Copenhagen criteria. The PHARE programme<sup>6</sup> provided €1.5 billion per year of financial assistance to prepare the candidates for institution-building, adopting the *acquis*, and implementing Structural Funds after accession (cf. Bailey and de Propris 2004). The focus of PHARE has been on capacity-building in the public sector rather than on supporting political reforms. Countries seeking access for financial assistance had to provide clear commitments regarding the rule of law, respect for human rights, establishment of a multiparty system, the holding of free elections, and introducing a market economy (Maresceau 2003: 12–13).

The EU also relied on political dialogue to deal with problems of non-compliance. Regular bilateral meetings at the highest political level between the EU and the individual candidate countries allowed for consultations and the exchange of views on all topics of common interest related to the enlargement process. Comparable to EU development policy, the political dialogues have been crucial to clarify the conditions for (opening negotiations for) membership.

Moreover, the Commission monitored the performance of each candidate and reported the progress in an annual report presented to the Council together with recommendations for improvement. These annual progress reports, first published in 1997, introduced a system of benchmarking between the accession candidates. The annual progress reports have included an assessment of the political Copenhagen criteria, democracy, the rule of law, human rights and minority rights (cf. Kochenov 2004). Also, the Commission and the European Parliament would officially reprimand accession countries for cases of serious non-compliance with these principles (Maresceau 2003: 32–4).

Given the success of Eastern enlargement as a transformation tool for the consolidation of CEE democratic transition, the EU invoked membership conditionality to stabilize another region that has been vital to its geopolitical interests: the Western Balkans. While the EU had been unable to prevent military conflict in the region, it has been engaged in the stabilization and reconstruction since the early 1990s (cf. Vachudova 2003; O'Brennan 2008). After the Kosovo conflict broke out in 1998, the EU changed its approach towards the Western Balkans. It had become clear by now that development cooperation would not be sufficient to stabilize the region so close to the EU's borders. The Stability Pact for South-Eastern Europe of 1999 promised candidate status to

Croatia, Macedonia, Albania, the Federal Republic of Yugoslavia (FRY) and Bosnia-Herzegovina as soon as they would meet the Copenhagen criteria. The Pact introduced a political dialogue organized in three 'working tables' on democratization and human rights, economic reconstruction and development, and security and justice and home affairs. The Commission periodically assessed whether the candidates complied with democracy, human rights and the rule of law. Its assessment, annually published in regular reports, determined whether the EU would sign a cooperation agreement providing additional incentives for political and economic reform. Next to funding immediate projects of political and economic reconstruction, the Commission granted selective incentives, such as autonomous trade preferences as a reward for specific reforms. The Stabilization and Accession Process (SAP) launched in 1999 reinforced the efforts of the EU to secure political and economic stability in the Western Balkans and bring them into the enlargement process.

The pre-accession strategy for the Western Balkans closely follows the CEE trajectory combining financial incentives with trade concessions in the shadow of (positive) membership conditionality (Kelley 2006; Magen 2006: 513–16). With the exception of Croatia which has started accession negotiations, EU membership has not motivated Balkan leaders very strongly to undertake the necessary reforms as was the case in Central and Eastern Europe. Problems of economic backwardness, feeble state institutions, ethnic conflicts and political extremism are much more severe due to the major wars the Balkan region had suffered. Membership puts up far greater challenges than for the CEE countries and thus remains a rather distant prospect.

In sum, Eastern enlargement has constituted a major EU effort at democracy promotion, albeit not in the liberalization, but in the consolidation phase. Once again, the EU used the entire spectrum of strategies and instruments – from political dialogue and persuasion to capacity-building to *ex ante* as well as *ex post* conditionality. The main carrot, however, was not some direct material incentive, but EU membership, i.e. access to markets as well as security as well as stability. The EU also carried a very big stick of *ex ante* conditionality, namely the threat to close off or postpone membership if countries did not comply with the Copenhagen criteria institutionalizing democracy, human rights and the rule of law (Grabbe 2006; Schimmelfennig and Sedelmeier 2005; Sedelmeier 2005). These huge carrots and sticks have been missing, of course, in the EU's relations with its neighbours who do not enjoy an accession perspective.

## **EU neighbourhood policy: friends, not members!**

The promotion of democracy, human rights and the rule of law also constitutes the core of the EU's effort in achieving political and economic stability in its immediate neighbourhood. Eastern enlargement has stretched the EU's backyard considerably towards the East, as a result of which Russia, Ukraine and some of the Newly Independent States have been admitted to the club of 'close friends'. In order to turn the region into an area of security, stability and prosperity, the EU applied the methods and instruments that had proven so successful in promoting economic and political liberalization in the CEE countries. Thus, the EU uses the same strategies and instruments to induce these countries into compliance with the Copenhagen criteria as it has done with the CEE and the Western Balkans (Kelley 2006; Magen 2006) – with one major exception.

In sharp contrast to Central and South Eastern European countries, the Partnership and Cooperation Agreements (PCAs), which the EU has entered since 1997, envision close trade relations and political cooperation, but not EU membership. Moreover, they aim for a political dialogue on democracy, human rights and the rule of law but do not contain an explicit suspension clause as the Accession Partnerships do. However, if democratic principles and human rights are violated, the Council may take appropriate measures regarding financial assistance granted by TACIS (Technical Assistance for the Commonwealth of Independent States), and INTERREG (the PHARE cross-border cooperation programme). Like PHARE and CARDS, financial assistance under TACIS focuses on building capacities for political, legal and administrative reforms aimed at promoting human rights, democracy and the rule of law. In 2007, the new European Neighbourhood and Partnership Instrument (ENPI) was introduced, replacing TACIS and MEDA and containing an explicit suspension clause.<sup>7</sup>

In 2003, the EU launched its official European Neighbourhood Policy to offer a privileged relationship to its immediate neighbours building upon a mutual commitment to common values. It also included the Southern neighbours so far treated under the Euro-Mediterranean Partnership (see below). The ENP seeks to go beyond existing forms of cooperation offering a deeper political relationship and economic integration. The central element of the European Neighbourhood Policy is the bilateral ENP Action Plan agreed between the EU and each partner. These plans set out an agenda of political and economic reforms with short and medium-term priorities. Implementation is jointly promoted and monitored through sub-Committees and the Commission, which

closely evaluates the progress reports the partner countries have to submit on a regular basis.

While the EU adopted a more bilateral approach to its far Eastern friends, its policy towards the *Mediterranean* neighbours used to be based on a regional (multilateral) framework (for details see Bicchi 2007; Gomez 2003: 25–41; see also Chapter 4 by Youngs and Wittes and Chapter 5 by Van Hüllen and Stahn in this volume). The EU decided to upgrade its relations with the Mediterranean after the end of the Cold War and the rise of new security challenges in the Southern Mediterranean and the Middle East. As in the case of its development policy, the EU realized that preferential trade agreements neither reduced the development gap between the Mediterranean countries and EU member states nor did they have an impact on democratic reforms. The ‘Barcelona Process’, established by the Barcelona Declaration of the Euro-Mediterranean Conference in 1995, sought to re-launch the EU–Mediterranean cooperation and provide it with a multilateral framework. It identified three baskets<sup>8</sup> on which the new Euro-Mediterranean Partnership would focus: political stability and security, economic and financial cooperation, and cooperation on social, cultural and humanitarian issues. In 2008, the Mediterranean Partnership was replaced by the ‘Mediterranean Union’ which had been promoted by French President Nicolas Sarkozy, but was then watered down by Germany. It remains to be seen whether the Mediterranean Union will revitalize the Euro-Med Partnership or simply continue the Barcelona process by just another name.

The goals of the Mediterranean Partnership were operationalized in a working programme and the EU provided financial and technical assistance for its implementation through MEDA (Mediterranean Development Assistance) and through loans of the European Investment Bank. The signatories of the Barcelona Declaration de facto subscribed to the Copenhagen criteria, which are not, however, mentioned. The Euro-Mediterranean Association Agreements (EMAA) restated the provisions on democracy and human rights. Like the Euro-Agreements with the CEE accession countries, the Stabilization and Association Agreements with the Western Balkan states, and the Partnership and Cooperation Agreements with the post-Soviet countries, these bilateral agreements between the EU and specific Mediterranean countries defined human rights and democracy as essential elements and allow the partners to take ‘appropriate measures’ in case of violation allowing for the ‘alteration of the contents of cooperation programmes or the channels used’ up to the ‘suspension of cooperation’ (cf. European Commission 1995: Annex II). Yet, the EU has never invoked these

options of negative conditionality. Rather, and in line with the partnership principle emphasized in the Barcelona Declaration, the EMAAs establish bilateral political dialogue as the instrument to deal with problems of compliance with democracy and human rights.

The Euro-Mediterranean Partnership institutionalized an ongoing process of negotiations and consultations among the governments and non-governmental actors across a wide range of issues. But there has been only little transition from dialogue to action. The Arab–Israeli conflict has seriously obstructed the implementation of the Barcelona process. Measures on strengthening democracy and the respect for human rights have been sidelined by the gulf between the signatories on security issues and the fact that most Arab countries strongly resist EU interference with their domestic policies. As a result, economic and financial cooperation has become the centrepiece of the Barcelona process. MEDA Democracy has funded projects directed towards training and education on human rights and democracy, awareness campaigns, women’s rights and the media. However, as Federica Bicchi (2006b) points out, MEDA Democracy tended to privilege partnerships between European NGOs and local NGOs. In particular, the EU has refused to fund groups that are considered Islamic, even though at least some of these groups form the cornerstone of civil society in the Arab world (Bicchi 2006b).

While not belonging to its immediate neighbours, the EU has also intensified its cooperation with Asia and Latin America during the 1990s (see Chapter 7, this volume, by Gratius and Legler). In the mid-1990s, the EU signed agreements with Mexico, Chile and the MERCOSUR to prepare them for association. All three agreements created a framework for political dialogue on issues of democracy, human rights, and the rule of law. Chile was the first to conclude the association agreement in 2002. It also contains provisions on democracy human rights, the rule of law and good governance.

In its relations with Asia, the EU has been less effective in promoting human rights and democracy. The cooperation agreement between the EU and ASEAN, signed in 1980, did not contain any provisions on democracy and human rights. With its 1994 Asian Strategy, the EU has sought to intensify the political dialogue with Asian countries but issues of human rights and democracy have been largely banned from the agenda of the Asia–Europe Meetings (ASEM) and the talks within the regional forum of ASEAN. Bilateral cooperation agreements with India (1994), Sri Lanka (1995), Nepal (1997), Cambodia (1997), Vietnam (1997), Bangladesh (2000) and Pakistan (2001) contain democracy and human



rights clauses. In contrast, China, South Korea, Laos, the Philippines and Malaysia refused to have political conditionality included in their sectoral trade agreements with the EU. While the promotion of human rights and democracy has been incorporated in the Partnership and Cooperation Agreements with Central Asian countries, there appears to be quite a gap between rhetoric and reality in the EU's approach to the region (Warkotsch 2006).

In sum, the EU has tried to streamline its democracy promotion efforts in almost every single bilateral as well as multilateral agreement with its neighbours, but also with Latin American, sub-Saharan African and Asian countries. It has tried to introduce political conditionality in these agreements, sometimes with limited success. Moreover, most of the conditionality clauses are incentive- rather than sanctions-based, and the EU rarely uses the sticks at its disposal (see e.g. Santos 2006). Finally, the EU's biggest carrot – a membership perspective – is also missing in its relations with its neighbours and beyond. As far as the ENP is concerned, it has been designed to keep the neighbours close to but outside the EU (Magen 2006; Kelley 2006).

### **The European Initiative on Democracy and Human Rights (EIDHR)**

As shown above, the EU has mainstreamed its external relations with third countries with regard to the promotion of democracy, human rights and the rule of law. Since the Maastricht Treaty went into force in 1992, the EU is legally obliged to contribute to developing and consolidating democracy, human rights and the rule of law in its relations with third countries. While democracy and human rights mainstreaming has been an incremental process, the EU has established in 1994 the European Initiative for Democracy and Human Rights (EIDHR), a specific financial tool to promote democracy and human rights. Like regional democracy assistance programmes, EIDHR has specifically focused on democracy and human rights (including administrative accountability and the fight against corruption, i.e. good governance). What has been special about EIDHR is that it can be implemented with partners other than national governments (and without their consent), and in particular with non-governmental organizations and international organizations. Thus, EIDHR allows to circumvent the governments of the recipient countries and can be used even if other programmes have been suspended, e.g. in cases of violations of human rights. Since 1994, the EIDHR has provided limited funding (ca. €100 million a year) for projects that promote representative structures in both government and

working place, access to reliable information, ethical practices in government and public service agencies, principles of equal opportunity and non-discrimination against minorities, respect for human rights, just to name a few.

In 1999, the EU passed two Regulations<sup>9</sup> as an attempt to establish a coherent framework for the EU's global efforts in 'developing and consolidating democracy and the rule of law and so that of respecting human rights and fundamental freedoms in third countries'. One Regulation covered operations within the framework of EU development cooperation. The other Regulation replaced democracy assistance of existing regional programmes.

In 2006, EIDHR was renamed the European Instrument for Democracy and Human Rights. As already mentioned, the Commission considered EIDHR superfluous after the creation of the new financial instruments of cooperation. However, thanks to the pressure of the European Parliament, the unique feature of EIDHR was preserved. The EIDHR is the only instrument comparable to the National Endowment for Democracy or the German party foundations since it allows circumventing the governments of the recipient countries. The debate about its future has triggered demands for an EU agency for providing democracy assistance. Thus, the European Parliament and political foundations have advanced a proposal for a 'European Foundation for Democracy through Partnership' (EFDP). However, the EFDP is not an EU body but an independent organization established by 15 European civil society organizations focusing on democracy assistance.<sup>10</sup>

## **Evaluation**

Throughout the Cold War and similar to most other Western political systems, the EU ignored the promotion of democracy, human rights and the rule of law. Its development policies focused on economic cooperation. Moreover, the member states had made hardly any effort to bring their policies in line with the EU. Consequently, the role of the EU had been rather weak acting as an additional donor rather than a coordinator of European development policies (Stokke 1995). By 1999 at the latest, everything changed. The EU now has a comprehensive framework for the promotion of democracy, human rights, the rule of law and 'good governance' in place covering the entire globe (Börzel et al. 2007). The various programmes concern accession candidates with a membership perspective, the 'circle of friends' and immediate neighbours which are explicitly to be kept out of the union, as well as the ACP countries, Latin America and Asia. The EU is making an effort to project its own identity

of a democratic polity into its relations with third countries (Manners and Whitman 2003; Diez 2005; Magen 2006). The goal of democracy assistance is enshrined in the EU treaties since the early 1990s has been formulated in the 1999 Regulations on Democracy and Human Rights in a comprehensive fashion and reinforced by the reform of existing financial instruments in 2007. This reform makes financial assistance, not specifically dedicated to democracy promotion, conditional upon the respect of human rights, democracy and the rule of law providing for an explicit suspension clause that applies to all three principles. Thus, while partnership and cooperation agreements remain rather vague, the financial instruments introduce negative conditionality through the back door.

The various policies consist of remarkably similar tools which usually encompass three types of instruments (see Table 2.1). These instruments differ mainly with regard to the steering mechanisms by which democracy and human rights are being diffused (for a detailed discussion of these mechanisms see the introductory chapter to this volume). First, 'political dialogues' use persuasion and learning strategies. Second, political conditionality clauses try to manipulate cost-benefit calculations through creating incentive structures (positive and negative). Finally, there are various programmes in place geared towards capacity-building for institutionalizing democracy, human rights and the rule of law.

The most remarkable feature of these three types of instruments is their similarity across regions. The EU follows one single cultural script that it uses to promote democracy, human rights and the rule of law across the globe. With EIDHR at the latest, policy goals and instruments have been streamlined and written into the EU's standard operating procedures. If the programmes vary at all, it concerns their budgetary allocations. While the programmes and instruments appear to be strikingly similar, this does not mean that the EU ignores local conditions or applies these instruments in a uniform way. Indeed, the empowerment of the EU Delegations in the various countries in the implementation and management of these programmes together with the decentralization of their administration leads to a greater sensitivity to the varying political, economic and cultural situations on the ground. While the strategies and instruments are pretty much similar across regions and countries, the way in which the EU employs them varies enormously depending on the specific regional or national contexts (Jünemann and Knodt 2007; see also Chapter 5, this volume, van Hüllen and Stahn on this point).

Table 2.1 EU Approach in the promotion of democracy, human rights and the rule of law across regions

Africa, Caribbean, Pacific	Central and Eastern Europe	Western Balkans	Newly Independent States	Mediterranean Countries	
<b>Democracy, human rights, and the rule of law (Copenhagen criteria)</b>					<b>Policies</b>
					<b>Instruments</b>
					<i>Political conditionality</i>
<i>Appropriate measures</i> Lomé IV (1990) <i>suspension clause</i> Lomé IV <sup>bis</sup> (1995)	<i>Appropriate measures</i> Europe Agreements (EPA 1991)	<i>Appropriate measures</i> Stability and Association Agreements (SAA 1999)	<i>Appropriate measures</i> Partnership and Cooperation Agreements (PCA 1997)	<i>Appropriate measures</i> Euro-Mediterranean Association Agreements (EMAA 1995)	– <i>Negative</i> Cooperation agreements
	<i>Suspension clause</i> PHARE (1998)	<i>Suspension clause</i> CARDS (2000) IPA (2007)	<i>Appropriate measures</i> TACIS (1999) <i>suspension clause</i> ENPI (2007)	<i>Appropriate measures</i> MEDA (1996) <i>suspension clause</i> ENPI (2007)	External cooperation programmes (financial instruments)
<i>Market access</i> Lomé IV (1990)	<i>Membership</i> Copenhagen (1993)	<i>Membership</i> Stability Pact; SAA (1999)	<i>Market access</i> PCA (1997); European Neighbourhood Policy (ENP 2003)	<i>Market access</i> Euro-Mediterranean Partnership; EMAA (1995); ENP (2003)	– <i>Positive</i>
Lomé IV (1990)	EPA (1991)	Stability Pact; SAA (1999)	PCA (1997); ENP (2003)	Euro-Mediterranean Partnership; EMAA (1995); ENP (2003)	<i>Political dialogue</i>
EIDHR (1994)	PHARE Democracy (1992) EIDHR (1999)	EIDHR (1999)	TACIS Democracy (1992) EIDHR (1999)	MEDA Democracy (1995) EIDHR (1999)	<i>Democracy assistance</i>

Moreover, the EU is often using double standards when dealing with human rights violations. It is tough on Myanmar, but rather soft on China. In many cases, it does not use the instruments available in the various partnership agreements or uses them only reluctantly (see e.g. Youngs 2004; Santos 2006; Kelley 2006; Pevehouse 2005). Nevertheless, a quantitative study by Hadewych Hazelzet of the use of EU carrots and sticks in its human rights policies during the 1990s did not reveal a particular bias one way or the other (Hazelzet 2001). In short, it is certainly true that the EU human rights and democracy promotion policies are implemented in a differential way and that these norms do not always trump other concerns. But it is equally true that the standard rationalist account, according to which economic and security concerns are usually prior to democracy and human rights goals, cannot be confirmed either.

One should not overlook in this context that the evolution of EU democracy promotion programmes did not follow a grand design, but incremental 'learning by doing' (see also Kelley 2006; Magen 2006). The policy instruments of conditionality were first developed in relations with the ACP countries as part of the 1990 Lomé IV agreement. From there, the Commission quickly introduced positive (membership) and a weak form of negative conditionality (appropriate measures) into the so-called Europe Agreements with the Central Eastern European countries during the early 1990s. By the mid-1990s, political conditionality had become an essential ingredient of the EU strategy for democracy promotion.

A similar process of a new instrument travelling from one EU regional strategy to another can be observed with regard to capacity-building including knowledge transfer and financial assistance. The PHARE programme for Central Eastern Europe was initially developed for Poland and Hungary in 1989. One year later, TACIS was created to help the transition process in Russia and the Soviet successor states. The experiences with PHARE and TACIS were then used to build the MEDA programme for the Mediterranean region in 1995, and the CARDS programme for the Western Balkans and the former Soviet Republics in 2000. The regional programmes were finally replaced in 2007 by a set of new instruments that made financial assistance conditional upon compliance with the respect for democracy, human rights and the rule of law. Through the back door, the EU has introduced negative conditionality to the relations with all third countries.

In sum, in the course of the 1990s, the EU embarked on a major effort at 'value export' seeking to incorporate the promotion of a specific

European version of democracy into its external relations with the rest of the world. In this regard, the EU is surprisingly explicit about promoting a particular democratic self-understanding and identity distinguishing itself from, for example, the US version of democracy and capitalism. Examples for such identity markers in the human rights area include the opposition to the death penalty and an emphasis on social and economic rights. Concerning regional cooperation, the EU tries to promote its own model of regional integration, i.e. including strong supranational institutions beyond mere free trade areas. In Latin America, for example, the US and the EU seem to compete in advertising their preferred models of regional integration (see also Chapter 7, this volume, by Gratius and Legler).

So far, we have focused on the EU's efforts at democracy and good governance promotion through peaceful means including the use of negative conditionality and sanctions. What about the use of force and coercion? Are Europeans still Venusians, while Americans stem from Mars? As we will show in the next section, this clear-cut and contrasting picture is no longer true. Over the past ten years, the EU has introduced coercive elements in its toolkit for democracy and good governance promotion, particularly in the case of post-conflict states.

### **The EU and its coercive tools**

In 2003, just when the Iraq crisis once again dwarfed the EU's attempt to develop an effective Common Foreign and Security Policy (CFSP), the EU launched its first autonomous military operation. While the member states were deeply divided over US military intervention in Iraq, EU forces took over NATO's Operation Allied Harmony in the Former Yugoslav Republic of Macedonia (FYROM) in March 2003. On 1 January 2003, only two months before, the EU had launched its first ever civilian crisis management operation. The EU Police Mission (EUPM) replaced the United Nations' International Police Task Force in Bosnia-Herzegovina seeking to establish law enforcement capabilities at the local level. Both EU missions have been part of UN Peacekeeping Operations.

Since 2003, the EU has launched a total of 21 missions within the framework of the European Security and Defence Policy (ESDP). Among them are police and border assistance missions, missions to support the rule of law and to aid security sector reform, but also robust peace-keeping operations. ESDP missions have mainly been carried out in the Western Balkans, but also in Ukraine, the Caucasus, Palestine, Sudan, the Democratic Republic of Congo and Banda Aceh (Indonesia).<sup>11</sup>

In the Western Balkans, particularly in Bosnia-Herzegovina, Kosovo and Macedonia, the EU has added coercive instruments to its toolkit for post-conflict peace-building, stabilization and democracy promotion. Take Bosnia-Herzegovina, for example: The High Representative for Bosnia-Herzegovina created by the Dayton Accords in 1995 is simultaneously the EU's Special Representative (EUSR). In other words, Bosnia-Herzegovina constitutes an EU protectorate whereby the EU is directly involved in authoritative (and coercive) decisions interfering with the country's 'Westphalian sovereignty' (Krasner 1999). Moreover, the EU Force (EUFOR) helps insuring the monopoly over the means of violence in Bosnia-Herzegovina in a robust peacekeeping mission. The EU Police Mission (EUPM) helps with building up a local police force, but is also involved in insuring public security. These coercive tools add to the non-coercive instruments of cooperation, capacity-building and conditionality in Bosnia-Herzegovina as part of the EU's strategy in the Western Balkans mentioned above.<sup>12</sup>

Similarly comprehensive measures have been taken in the Democratic Republic of Congo: While EUFOR DR Congo has been rightly criticized as too limited in scope and timescale (see Gegout 2007), the EU spent €750 million in Congo on development, economic and humanitarian aid including sponsoring the elections in 2006. For an international body, this is quite unique. It enables the EU to provide a whole package of political, economic, social, cultural and military measures in crisis prevention, crisis management and post-conflict situations even though coordination between the various EU agencies and the EU delegations on the ground is often problematic.

One should also mention the substantial EU engagement in the post-conflict reconstruction and stabilization efforts in Afghanistan where the EU is the largest single donor of humanitarian assistance. Moreover, EU member states such as Britain, France, Germany, Italy, the Netherlands and others provide troops for the NATO-led 'International Security Assistance Force' (ISAF) and for 'Operation Enduring Freedom', the US-led War on Terror against al-Qaeda and the Taliban (details in Gross 2006).

Finally, the EU and its member states are heavily involved in the Middle Eastern conflicts. For quite a while, the EU maintains two ESDP missions in Palestine. Individual EU member states such as Britain still deploy troops in Iraq and are engaged in the stabilization efforts there. Probably most significantly with regard to the long-term consequences for EU engagement in the Middle East, EU member states – with the explicit approval of the EU General Affairs and External Relations

Council – lead and supply more than half of the troops monitoring and enforcing the ceasefire in Lebanon that ended the armed conflict between the Hezbollah militia and the Israeli Defense Forces. While UNIFIL II constitutes a UN peacekeeping operation mandated by the Security Council, EU members have taken the lead in this mission (details in Dembinski 2007).

The military component of ESDP was introduced by the European Councils in Helsinki (1999) and Nice (2000; see Howorth 2007: chapter 2). In Helsinki, the EU member states decided to establish the ‘headline goal’ of an EU military intervention force, i.e. the capacity of the EU to deploy, within 60 days, up to 60,000 troops. The Nice Treaty established a new crisis management system for EU-led military operations. As in CFSP, member states are directly responsible for initiating and implementing EU military crisis management operations. The latest development to strengthen military crisis management was the commitment of the member states in 2004 to the establishment of 13 EU Battlegroups. They shall form the core of a *rapid reaction force* of 1,500 troops deployable within ten days for a period of 30 to 120 days.

The civilian component of ESDP was developed by the European Councils of Feira (2000) and Gothenburg (2001). In Feira, the member states established headline goals for civilian crisis management in the areas of police cooperation, judicial cooperation (providing judges and legal experts), civilian administration and civilian protection.

The EU policy towards Peacekeeping Operations is integrated in an overall framework of crisis management which the EU laid out in its European Security Strategy (ESS; European Council 2003). The ESS defines democracy, human rights and the rule of law as core European values, on which the EU has been built and which shape its vision of the world. This vision is based on the premise that creating a democratic society is the best way to achieve peace, stability and wealth. The ESS also lays out the two sets of instruments by which these goals are to be achieved: ‘soft power’ and ‘effective multilateralism’ (ESS: 9–10).

In sum, within a relatively short period of time of about five years, the EU has become a player in post-conflict peace-building and reconstruction efforts including robust peacekeeping. With regard to the latter, the EU and its members provide the largest number of troops in the various missions, be it under UN auspices, under NATO or under EU command.<sup>13</sup> All EU-led military peacekeeping operations are legitimized by UN Security Council resolutions. As a result and comparable to NATO, the EU is now a subcontractor of the UN with regard to peacekeeping. It should also be noted that the EU missions are embedded in



larger political stabilization and peace-building efforts that include the promotion of democracy, human rights and the rule of law, as described above. Unlike NATO, the OSCE and other specialized regional organizations, the EU can now employ the entire set of strategies and instruments ranging from coercive means via conditionality (positive and negative) to persuasion and capacity-building.

### **Conclusions: still a civilian power**

We have argued in this chapter that the EU's democracy promotion, peacekeeping, and state-building policies have developed into a fairly consistent and comprehensive approach. By about the mid-2000s, the EU's toolkit contained a spectrum of strategies and instruments using all logics of influence as specified in the introductory chapter of this volume. Thus, the EU policies range from persuasion and political dialogue through capacity-building and various forms of positive as well as negative conditionality to coercive means of robust peacekeeping and policing. These policies also implement the EU's self-description in foreign and security affairs, the 'European Security Strategy' (ESS, see European Council 2003), in a rather coherent way.

This development is surprising, for three reasons. First, many observers still complain about the lack of cohesiveness and inconsistency of European foreign and security policy. While it is true that the EU and its member states are not always employing the instruments at their disposal and tend to apply double standards, the EU has now developed the institutional capacities for almost every conceivable way to promote democracy. In other words, it is more than ever a question of willingness than capacities. Second, the EU has developed these policies in a very incremental way and through a 'trial and error' process whereby methods and instruments were often transferred from one policy area to another. Nevertheless, the set of strategies and instruments as a whole look rather coherent. Third, the EU is not a state, but a multi-level system of governance. Its foreign policy apparatus still pales compared to the member states and its decision-making process in foreign affairs is not only intergovernmental, but also opaque and sometimes even chaotic given its cross-pillarized nature. Nevertheless, the EU's set of strategies and instruments look at least as consistent as those of a major foreign policy actor such as the United States (see Chapter 3, this volume, by Girod, Krasner and Stoner-Weiss).

How are the EU's foreign and security policy apparatus as well as its strategies and instruments to be evaluated? Is Venus approaching Mars?

Can the EU still be regarded as a civilian power, or is it evolving down the path towards a militarized foreign policy, as some argue (Manners 2006; Smith 2000; see also Sjursen 2006)?

There is no question that the stark contrast between Venus Europe and Mars America is fading away rather rapidly. The EU and its member states have acquired substantial military capabilities deployable 'out of area' in a post-Cold War environment, while the US does not just intervene everywhere to promote democracy, but predominantly uses non-coercive means, too, as most chapters in this book demonstrate. However, the military capabilities of the EU and its member states are no match for the dominance of US military forces, of course, and they will not be any time soon.

In this sense, the EU remains a civilian power. Civilian power requires 'efforts at constraining the use of force in settling political conflicts, both within and between states' as well as the 'promotion of non-violent forms of conflict management and conflict resolution' (Harnisch and Maull 2001: 4). However, civilian power, according to Duchêne and Maull, does not imply a renunciation of the use of force under all circumstances but an emphasis on political and economic over military means to promote one's interests (Duchêne 1972; Kirste and Maull 1996; Maull 2002). While the concept of 'civilian power' as a distinct foreign policy identity emphasizes a 'civilizing mission' in world politics and focuses on strengthening the international rule of law and of multilateral institutions. But civilian power should not be confused with pacifism.

We argue, therefore, that the EU has only recently been emerging as a civilian power, precisely because it only now disposes of the entire spectrum of policy instruments necessary to effectively promote the 'civilization' of international relations. In this sense, the recent ESDP missions constitute the first signs that the EU is actually taking 'effective multilateralism' seriously and that EU puts its money where its 'civilizing mouth' is. The conformity between the identity of a 'civilian power' and the EU's programmes to promote democracy, human rights and the rule of law worldwide is striking. This begins with the measures to sustain the legalization of world politics through the International Criminal Court (Scheipers and Sicurelli 2007) and other international legal instruments and ends with support for local human rights NGOs in various countries. Interestingly enough, the programmes are also fairly consistent with the EU Security Strategy (European Council 2003). The EU approach reflects its preference for 'soft security' and 'soft power' in its foreign policy inducing compliance with its policies by incentives, capacity-building and persuasion and learning. Compliance management rather

than enforcement does not only correspond to the EU self-understanding as a civilian power. In the absence of uniform criteria for the evaluation of compliance and application of sanctions in case of violation, a cooperative and process-oriented approach allows to develop a common understanding of the behavioural requirements under the Copenhagen criteria. Socialization also appears to be more promising since the EU has no means of forcing the more than 120 countries with which it signed cooperation and association agreements into compliance with democracy and human rights norms. This is often overlooked by the human rights community and by scholars alike who question the EU's sincerity in these programmes, because it mainly uses carrots rather than sticks.

The EU's increasing role in inter- and intra-national conflict resolution and peace-building is also consistent with the foreign policy of a 'civilian power' as identified above. The EU eschews purely military security concerns in favour of security sector reform. In order to induce compliance with its security policies, the EU relies on capacity-building and positive conditionality rather than sanctions and coercive power. While the EU does not preclude the use of military force, military operations are integrated in the overall framework of crisis management that combines the use of financial, civilian and military instruments.

Yet, the civilian power EU still faces two major obstacles in becoming an effective and coherent actor regarding crisis management and conflict resolution: intergovernmental decision-making in ESDP, on the one hand, and the separation of military and civilian crisis management operations in the second (ESDP/CFSP) and third pillars (Justice and Home Affairs) from programmes managed by the European Commission in the first pillar (humanitarian and development aid, trade policy, environmental and social policy), on the other (cf. Gourlay 2004). These two factors also hamper the capacity of the EU to implement the integrated and comprehensive approach aspired by the European Security Strategy.

## Notes

1. Earlier versions of this chapter have been presented at the Workshop on Democracy Promotion, 4–5 October 2004, at Stanford University, at the Workshop on International Negotiation and Conflict Resolution at National Chengchi University, Taipei, 30 March 2006, and at the authors' workshop at Stanford University, March 2008. We thank Frederik Adrianssens, Tina Freyburg, Pia Niedermeier and Philip Schunke for research assistance. We are very grateful to the workshop participants as well as to Mareike Kleine, Yasemin Pamuk, Andreas Stahn, Elsa Tulmets, and particularly Vera van Hüllen and Jolyon Howorth for their helpful comments and suggestions.

2. European Commission (2008) EU in the World, The EU's Global Role, Eradicating poverty through sustainable development, [http://ec.europa.eu/world/what/solidarity/index\\_en.htm](http://ec.europa.eu/world/what/solidarity/index_en.htm), date accessed 21 August 2008.
3. State Department, USAID 2008: Joint Highlights of Performance, Budget, and Financial Information Fiscal Year 2007 Washington DC [www.state.gov/s/d/rm/rls/perfrpt/2007hlts/](http://www.state.gov/s/d/rm/rls/perfrpt/2007hlts/); [www.state.gov/documents/organization/100020.pdf](http://www.state.gov/documents/organization/100020.pdf), date accessed 21 August 2008.
4. Regulation (EC) No 1889/2006 of the European Parliament and of the Council of 20 December 2006 on establishing a financing instrument for the promotion of democracy and human rights worldwide, OJ L 386, 29.12.2006: 1–11.
5. However, the relationship between human rights and development had already been evoked under Lomé I (1975–80) when the EU suspended official aid to Uganda due to the human rights violations committed by Idi Amin.
6. Poland and Hungary Aid for Economic Reconstruction (PHARE): Initially meant to help Poland and Hungary make the transition to market economy, PHARE was quickly extended to other transition countries preparing them for EU membership.
7. Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument, OJ L 310, 9.11.2006: 1–14.
8. The similarity with CSCE terminology is no coincidence. It is reminiscent of the failed attempt to launch a Conference on Security and Cooperation in the Mediterranean in 1990.
9. Council Regulations 975/1999 and 976/1999 adopted on 29 April 1999, preamble, OJ 120/8 of 8 May 1999.
10. European Partnership for Democracy 2008, [www.eupd.eu/](http://www.eupd.eu/), date accessed 21 August 2008.
11. Council of the EU (2008), [www.consilium.europa.eu/](http://www.consilium.europa.eu/) (home page), date accessed 21 August 2008: cf. the database in Abellan 2007; cf. Howorth 2007: chapter 6.
12. Similar comprehensive measures are being prepared for Kosovo where the EU will take over from the UN mission.
13. Note that the US usually does not provide troops in multilateral peacekeeping operations.

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# 3

## Governance and Foreign Assistance: the Imperfect Translation of Ideas into Outcomes

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Foreign assistance has been part of the international landscape for more than fifty years (Lumsdaine 1993). Most major industrialized countries have cabinet or sub-cabinet level aid agencies. There are development banks for every major region of the world as well as the World Bank and the IMF. Many highly trained individuals in government, universities, and elsewhere have devoted their careers to understanding how richer parts of the world might contribute to the growth of poorer areas.

Academic and policy thinking has gone through several phases, first emphasizing capital transfers, then human capital, and finally institutions. By the late 1990s there was a consensus among academic economists, analysts at the World Bank and other international financial institutions, and many policymakers that appropriate institutions were the key to economic development. Unless countries could provide decent services, protect property rights, ensure against hyperinflation and contain at least some forms of corruption, economic development would be impossible regardless of the level of foreign assistance. Many analysts, especially at the World Bank, argued that accountability, a concept which is a necessary part of democracy, was the key to effective governance (Bates 2008: 113–16). Indeed, by providing external resources, foreign aid (especially if it were not conditioned) could make things worse because aid alleviated the political pressure that leaders might otherwise feel to create accountability mechanisms in return for the provision of taxes. If the advanced industrialized countries wanted to contribute to improving the lives of individuals in the developing world, then they would have to find a way to promote the accountability



mechanisms that could underpin good domestic institutions within recipient countries.<sup>1</sup>

Perhaps this focus on institutions, especially accountable institutions, will prove to be just another passing phase and in five or ten years the scientific consensus will have changed. General agreement among professional economists, aid agencies, and international financial institutions in the past, such as the conviction in the 1960s that closing the financing gap would lead to development, were not supported by subsequent experience. But the view that good institutions are the key to development has been widely accepted, at least for the moment.

How have major donor countries responded to this new knowledge? Have they continued to provide assistance in essentially the same way, to the same countries, perhaps merely repackaging their language? Or have they altered the modalities and distribution of their aid programs? Are foreign aid programs responsive to the best available understandings of the conditions that are necessary for development (political as well as economic), or do they reflect the domestic preferences or internal institutional imperatives of donor countries and international financial institutions?

We take a preliminary cut at answering these questions by looking at three recent developments. First, we consider specific programs designed to more closely align foreign assistance with the quality of domestic institutions in recipient countries. The most important case here is the Millennium Challenge Account (MCA) created by the United States in 2004; we also discuss EU governance programs, especially the Governance Facility of the European Neighbourhood and Partnership Instrument. Second, we examine the reaction of donors to deteriorating governance conditions in Uganda. There was initially strong external donor support for the Museveni government based in part on what appeared to be his commitment to democratic reform. Museveni's subsequent abandonment of democratic principles did lead to significant cuts in direct budget support from both bilateral donors and the World Bank. Some of these funds were re-allocated to humanitarian activities conducted primarily by UN agencies or NGOs. Third, we investigate the statistical relationship between aid flows and changes in the quality of governance between 2000 and 2006, a period when greater emphasis was being placed on the relationship between aid effectiveness and domestic institutions in recipient countries. Statistically, there is no overall relationship between changes in aid allocations and changes in governance. Thus, despite the policy consensus on the need for good

governance and the creation of new programs, especially the MCA, there has been no dramatic change in the pattern of aid flows.

## **Explaining development**

Analysis about development has gone through several phases in the period since the Second World War. Initial formulations focused heavily on the need for additional capital. In the wake of the Great Depression, labor supply was not seen as a constraint on growth in any part of the world. The key to increasing output was the provision of more financing. For the developing world this led to the idea that there was a financing gap. Poorer countries would not be able to save enough to generate the investment level that would be required to increase economic growth. Foreign aid could be a source of capital that poor countries could not provide through their own savings. With more foreign aid there would be more investment and more growth. One simple widely accepted metric was that a 4 percent increase in investment would lead to a 1 percent increase in growth.

By the 1980s, however, it was apparent that additional investment did not automatically lead to higher rates of growth. Between 1950 and 1995 Western countries gave \$1 trillion in 1985 dollars in foreign aid. However, growth was slow and even negative in many countries especially after the oil crisis of the early 1970s (Helpman 2004: chapter 1; Easterly 2001: chapter 2). Despite these disappointing empirical results and the consensus on the need for good institutions, the financing gap model is still offered frequently as a rationale for various kinds of assistance to developing countries. The World Bank significantly increased its activities in the 1980s in response to the debt crisis for poorer countries generated by higher interest rates in the early 1980s. Major countries have persistently pressed for debt relief.<sup>2</sup>

During the 1980s and 1990s, the international financial institutions sought better use of foreign aid by conditioning aid on specific market-oriented policy reforms. Donors called for smaller governments that would stabilize the macroeconomic environment, open trade, withdraw from the private sector, and streamline government regulation. The view that this structural adjustment would promote growth became known as the “Washington Consensus” (Williamson 1990). Many governments implemented structural adjustment supported by large amounts of foreign aid. There was, however, no clear relationship between adhering to the Washington Consensus and economic growth. The Latin American states, who most faithfully adopted the Washington Consensus, had

lackluster growth in the 1990s. In contrast, Korea and China, which implemented perhaps half of the Washington Consensus recommendations, had spectacular growth (Rodrik 2006).

Economists have also focused on the importance of technological change. Solow's work in the 1950s and 1960s provided one impetus for this line of argument. Solow argued that technological change not capital was the key to growth. Solow's logic suggested that more investment should have flowed to developing countries because, given the same access to technology, investments should have yielded a higher return in countries with lower capital to labor ratios. Over time there should have been convergence between poorer and richer countries. However, investment flows have gone primarily to wealthier rather than poorer countries and the gap between the rich and the poor has grown (Easterly 2001: chapter 3; Helpman 2004: chapter 2).

Human capital has also been seen as a key to development. Greater human capital, many analysts argued, would facilitate the utilization of new technology. Human capital could be improved through more investment in education. There is, however, little empirical evidence to support the argument that higher levels of education lead to more growth (Easterly 2001: chapter 4).

What has become clear over time is that higher rates of growth do not depend so much on specific inputs such as capital or higher quality labor but rather on total factor productivity (TFP). TFP is greater than the sum of the inputs of specific factors. Total factor productivity has grown substantially in the now wealthy parts of the world over the past two centuries. Unmeasured inputs, such as improvements in organization and distribution, as well as measured inputs, such as investment, contribute to TFP. TFP growth also depends on the way in which inputs interact with each other. High levels of capital accumulation may reflect high levels of TFP rather than causing high TFP; that is, in countries where total factor productivity is increasing rapidly new capital investment will look more attractive (Helpman 2004: chapter 3).

But what causes higher total factor productivity? Economists have been debating whether geography or institutions are more responsible for economic development.<sup>3</sup> Proponents of geography argue that tropical countries have more diseases, especially malaria, which keep children out of school and discourage foreign investment (Gallup and Sachs 2001; Sachs and Malaney 2002). Also, they argue that landlocked countries face greater development difficulties, not only because of higher transportation costs, but also because access to trade depends on neighbors' transportation infrastructure (Collier 2007). Geography

research also points to natural resource endowments. Proponents of the “resource curse” argue that natural resources depress other sectors by attracting their labor and capital (Ross 1999).

The growing consensus, however, is that capable state institutions are the key to development. With good institutions, governments can address the negative effects of geography; they can implement policies that reduce malaria or avoid the resource curse (Ross 1999). Without appropriate institutions and the good policies that follow from them, growth will not take place. If governments engage in arbitrary confiscation rather than protecting private property, then individuals will not invest their capital, their time or their brainpower to developing more productive activities. They will not have any incentive to increase the size of the pie (Wantchekon 2004). If government regulation is excessive, then there will be a deadweight loss to setting up a new business and many opportunities for corruption. If corruption is widespread, then individuals will be discouraged from new initiatives or will incur the additional costs of operating on the black market. If government policy leads to high inflation rates, then growth will suffer because there will be little incentive to save. If judges and policemen can easily be bribed, then it will be impossible to have the predictability associated with effective rule of law. If a government cannot provide some decent level of security for its citizens, then not only economic growth but also a decent and stable existence for individuals will be impossible.

Accountability, one key element of democracy, is seen as essential to achieving better outcomes. If rulers are not accountable to their citizens, then they will choose economic policies that create rents but impede growth, such as trade restrictions, excessive regulation, and over-valued and controlled exchange rates. If democratic institutions are absent, then it may be impossible for a polity to resolve larger social conflicts in a peaceful way (Easterly 2001: chapters 11–14).

While good governance is now increasingly understood as essential to development, there is much less clarity about how it might be achieved. There is no clear understanding or agreement on how the different components of good governance are related. Nor is there agreement on whether one way of sequencing change is better than another.

There is, for instance, a long tradition associated with Seymour Martin Lipset and Samuel Huntington, which sees democracy as a product of socioeconomic conditions. Lipset (1959), for instance, emphasized the importance of higher levels of development, a middle class, better education, and a tolerance for dissent. Huntington (1969) argued that without adequate levels of institutionalization, political mobilization could

lead to political underdevelopment. Institutional capacity, especially the ability to provide public order, had to precede full-scale democracy. Przeworski and his colleagues (2000) have shown that while democracies are much more likely to be durable in countries with per capita incomes above \$6,000, there is no relationship between levels of income and the transition from autocratic to democratic regimes. The Lipset tradition, perhaps the most widely accepted conceptualization of economic growth, democracy, and good governance, has, however, not been without its critics. Acemoglu and Robinson (2005) have argued that there is no empirical relationship between socioeconomic development and democracy and have suggested that a path-dependent rather than structural approach might be more appropriate for understanding development trajectories.

More recent analysis in the rational choice tradition emphasizes the importance of self-enforcing institutions rather than underlying socioeconomic conditions. Good governance depends on creating a set of institutions from which none of the actors has an incentive to defect. The exact nature of these institutions and the incentives that make them self-enforcing may be context specific. The law merchant regime associated with medieval fairs, the Bank of England created after the Glorious Revolution, and the whole concept of the separation of powers have been offered as examples of this line of reasoning (Milgrom, North, and Weingast 1990; North and Weingast 1989).

Analysts have also pointed to specific historical legacies to explain variations in the quality of government. Acemoglu, Robinson, and Johnson (2000) have pointed to the importance of colonial legacies resulting from the extent of European settlement in different colonies, which was, in turn, fundamentally determined by health conditions. Andrei Shleifer and his colleagues (1997) have published a series of articles maintaining that countries with a common law heritage were more likely to have better growth than those with a continental law tradition because British common law was more concerned with the protection of private property.<sup>4</sup> Easterly and Levine (2003) find that good institutions account for long-term development much better than Washington Consensus policies. Hausmann, Pritchett, and Rodrik (2005) show that basic neo-classical reforms fail to influence short-term growth, but affect whether a growth spurt persists. Thus, while there is strong but not universal consensus on the importance of institutions there is no agreement on why there are good institutions in some societies but not in others, including no agreement on how external actors might more effectively promote good institutions.

## The policy community response: some US and European examples

The growing academic consensus on the importance of state institutions for well-being and growth was reflected in the policy community. The 1997 World Bank annual report was entitled *The State in a Changing World* and argued that effective state policies were a necessary complement to the private sector and the market in promoting economic growth. The 2002 Report was entitled *Building Institutions for Markets* and emphasized the ways in which ill-advised government institutions could interfere with the development of markets. Complex administrative procedures, convoluted laws, and corrupt courts would, the report argued, impede more efficient allocation of factors and products.

The general agreement on the need for decent institutions was embodied in the Monterrey consensus, which was negotiated at (actually prior to) the 2002 United Nations Financing for Development Conference held in Monterrey, Mexico. The consensus document, "Confronting the Challenges of Financing for Development: A Global Response," was signed by all of the states that attended the meeting. The richer countries committed to increased foreign assistance; the poorer ones to better governance. Paragraph 4 summarizes the deal:

Achieving the internationally agreed development goals, including those contained in the Millennium Declaration, demands a new partnership between developed and developing countries. We commit ourselves to sound policies, good governance at all levels and the rule of law. We also commit ourselves to mobilizing domestic resources, attracting international flows, promoting international trade as an engine for development, increasing international financial and technical cooperation for development, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems.

Thus the consensus on the importance of good governance that had initially emerged in the academic community and then been accepted by the international financial institutions, was, at Monterrey, also endorsed by political leaders. We now turn to specific examples of attempts to translate the new idea of good governance and growth into development and aid policy in Europe and the US. We look first at the US response – the Millennium Challenge Corporation – and then to a

brief overview of European programs combining improvements in specific forms of governance with conditionality.

### **The Millennium Challenge Corporation**

The most prominent example of a program informed by the view that assistance can only be effective in better-governed countries is the Millennium Challenge Account (MCA) established by the United States in 2004. The MCA is administered by the Millennium Challenge Corporation (MCC). The MCA was explicitly based on the view that aid would be ineffective without better governance. Better governance was clearly associated with democratization, both in the choice of indicators that would be used to select countries for the program and in the overall commitment of the Bush Administration to support democratic development. In a speech in March 2002 announcing the program, President Bush heralded the MCA as a major new initiative for American foreign assistance. Bush argued that

We must tie greater aid to political and legal and economic reforms. And by insisting on reform, we do the work of compassion. The United States will lead by example. I have proposed a 50-percent increase in our core development assistance over the next three budget years. Eventually, this will mean a \$5-billion annual increase over current levels. These new funds will go into a new Millennium Challenge Account, devoted to projects in nations that govern justly, invest in their people and encourage economic freedom...

I've asked Secretary of State Powell, Secretary of Treasury O'Neill to reach out to the world community to develop clear and concrete objective criterion for the Millennium Challenge Account. We'll apply these criteria fairly and rigorously. (Bush 2002)

That such an ambitious proposal would come from the Bush Administration was a surprise not only to many observers outside the government but, since one of the authors of the current chapter (Krasner) can testify from personal knowledge, to many in the US government at the time as well. A proposal for a dramatic increase in American foreign assistance, the first since the end of the Cold War, was not an initiative that many expected.

The establishment of the MCA reflected three factors, all of which were necessary for its creation. First, in the wake of 9/11, the United States was both more concerned about and under more pressure to develop a program that would respond to the needs and demands of

the developing world. What had been a peripheral concern for the Administration when it first came to office, governance and development in poorer countries, assumed much greater prominence after the attacks on the World Trade Center and the Pentagon. The first two sentences of President Bush's opening statement for the 2002 *National Security Strategy of the United States*, which is best remembered for its discussion of pre-emption, have nothing to do with military action and everything to do with domestic authority structures in other countries. Bush began:

The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom – and a single sustainable model for national success: freedom, democracy, and free enterprise. In the twenty-first century, only nations that share a commitment to protecting basic human rights and guaranteeing political and economic freedom will be able to unleash the potential of their people and assure their future prosperity. (Office of the President 2002)

Second, Bush had made a commitment to attend the UN-sponsored Financing for Development meeting, which was held in Monterrey, Mexico in March of 2002. The meeting was not only a significant UN event but also a major international forum for the President of Mexico, Vicente Fox. Bush's commitment to attend the Monterrey meeting reflected in part his close relationship with his Mexican counterpart. The Financing for Development meeting was an action forcing event. The American President needed a policy deliverable albeit not necessarily one as dramatic as the MCA.

Third, the MCA would not have been proposed were it not for a key official in the White House, Gary Edson, who was the Deputy Assistant to the President for International Economic Affairs and Deputy National Security Adviser. Edson was a lawyer by training, not a development economist, although he did have an MBA from Chicago. As the sherpa for the G-8 meetings, however, Edson was familiar with the arguments about governance and growth. In the run up to the G-8 meeting in Kananaskis, Canada in 2002, he had had discussions with his counterparts about aid selectivity. Given differences among member countries it was clear to him that an aid program based on governance criteria would not fly as a G-8 initiative. He was, however, intrigued about the possibilities for the United States. When he returned to Washington he had discussions with key figures in the Office of Management and



Budget, notably Robin Cleveland who was in charge of the foreign assistance accounts, about how a new assistance program might be budgeted, especially the question of whether appropriated funds could be isolated from the earmarking and constraints that afflict the aid budgets of State and USAID. He had off-the-record informal discussions with a small number of officials about the possibility of linking aid to performance, including Al Larson who was then the Under-Secretary of State for Economic Affairs, Steven Radelet, a development economist who was then a deputy assistant secretary at Treasury and later became a senior fellow at the Center for Global Development, and Clay Lowery who was at the NSC.

Thus the proposal to devote a significant amount of American foreign assistance to countries with better governance was not simply the result of the acceptance of the best thinking in the development community. The program would not have been created without a change in the overall focus of the American Administration, the leadership of a key figure in the White House, and the American President's attendance at an important international meeting.

The biggest challenge in setting up the MCA was to devise a process for selecting countries that would minimize if not totally preclude the possibility that the new funds would be used for conventional purposes. The intention was to fulfill the promise to depart from traditional criteria for providing aid and create a new vehicle based on institutional and policy performance. If the selection process were not constrained, it was feared that specific bureaucratic interests within the US government could gut the original conception of the program, which was to provide funds to countries that had already demonstrated a commitment to good governance. For instance, without clear constraints, regional bureaus in the State Department would try to increase funding for their countries. The Secretary of Defense would try to target countries that were strategically important for the United States regardless of the quality of their governance. The Secretary of State would use the MCA to provide a deliverable for his or her next trip. The administrator of USAID would use the MCA to supplement existing programs. For the MCA to be successful, the Administration would have to tie its own hands and limit its own freedom of action with regard to selecting countries for the program.

To a surprising extent the original vision for the program was honored. In part this was because the process remained centered in the National Security Council, which was directly beholden to the president. In part too, this reflected the fact that Bush's March speech

imposed real constraints on the options that could be explored. Perhaps the most critical phrase in Bush's speech was that selection had to be based on "clear and concrete objective" criteria. In his speech, the president had also sketched out in broad ways the kinds of governance issues that should be considered when he stated that the countries that receive MCA funding should "govern justly, invest in their people and encourage economic freedom." Once these phrases had been enunciated in a public presidential address, reference to them became an almost automatic winning argument in any dispute that arose in the inter-agency process. Members of a working group could not, for instance, seriously propose that something like a subjective assessment of corruption activities by representatives of bureaus from different government departments could be formally included in the criteria for selection. Such a procedure would be neither clear nor concrete.

After exploring a large number of indicators, 16 were finally identified. All of the indicators had wide country coverage. Most were positively correlated with economic growth; the weakest correlations were with the indicators of democracy. All were quantified, although in some cases the numerical scores reflected the subjective assessment of observers. The indicators came from a variety of different source including the World Bank Institute, the IMF, Freedom House, and the Heritage Foundation. Significantly and quite purposely, none of the indicators was produced by the American government. They were all publicly available.

The six indicators selected for ruling justly were heavily weighted toward democracy, even though the democracy indicators were not strongly correlated with economic growth. The indicators selected were: Civil Liberties and Political Rights, both from Freedom House; and Voice and Accountability, Government Effectiveness, Rule of Law, and Control of Corruption from the World Bank Institute. The four indicators for investing in people were: Public Primary Education Spending as Percent of GDP from national sources, primary education completion rate from the World Bank and UNESCO, public expenditures on health as a percentage of GDP from national sources, and immunization rates for DPT3 and measles from the World Health Organization. The six indicators for promoting economic freedom were: Country credit rating from *Institutional Investor* magazine, inflation rate from a number of difference sources, average three-year budget deficit from national sources, trade policy from the Heritage Foundation, regulatory quality from the World Bank Institute, and Days to Start a Business from the World Bank. Subsequently modest changes were made in the list of

indicators. Girls' primary school completion rates replaced overall rates; country credit ratings were dropped; land resource management and land rights and access were added (Millennium Challenge Corporation 2008b). The heavy emphasis on democracy and basic rights in the ruling justly category has never been challenged or changed.

Having selected the indicators, the next problem was to determine how they should be put together to get a single assessment for each country. The Administration decided that a list of eligible countries would be identified by what came to be called the hurdles method. To make the list a country would have to score above the median on half of the indicators in each of the categories: for the original set of indicators this meant three of six in the area of ruling justly; two of four in the area of investing in people; and three of six in the area of promoting economic freedom.<sup>5</sup> If this methodology were strictly applied a country would have to score well on the three democracy indicators to be considered for participation in the program. Straight averaging of scores was rejected because excellent performance on a few indicators might offset mediocre performance on the rest.

The list of eligible countries based on publicly available data was a clear constraint on the extent to which MCA funds could be used for strategic, political, humanitarian or other purposes.

The Administration decided to make both poor and lower middle income countries qualified for MCA funds, a decision that caused some unhappiness among the NGO community, most of whose members advocated limiting support exclusively to the poor. Because performance scores correlate with income, especially once income rises above about \$1,200, the Administration proposed that two separate competitions be run to determine which countries would make the eligible list; one for low income countries and one for lower middle income countries. All of the low income countries had per capita incomes below \$1,416. In the first year of the MCA's operation, when funding was provided at the level of \$1 billion, only countries with incomes up to \$1,415 were eligible to compete. In 2006, both low and low middle income countries were allowed to compete as two separate groups of countries for the first time.

A number of options were considered for administering the MCA. The most obvious was to make the MCA part of USAID. There was, however, no enthusiasm for this approach. Even many within the Agency saw it as too enmeshed in a set of established procedures and practices, some of them mandated by Congress, that would preclude the kind of flexibility and innovation that the administration hoped would be

associated with the MCA. There was also some discussion about putting the MCA in the State Department. The primary argument was that this would result in greater foreign policy coherence. USAID was already formally part of the Department of State with the administrator of USAID reporting to the Secretary of State. This path was, however, also rejected, because of the fear that putting the MCA in the State Department would make it too subject to day to day pressures and to the entreaties of regional bureaus.

Rather than placing the MCA within an existing agency, the Administration proposed and Congress accepted establishing a new government corporation, the Millennium Challenge Corporation. The Corporation would have a relatively small staff that would be drawn from both the public and private sectors. The chief executive officer of the corporation is appointed by the President of the United States with the approval of the Senate.<sup>6</sup> The MCC is overseen by a Board of Directors made up of the Secretary of State as Chair, Secretary of the Treasury, US Trade Representative, the Administrator of USAID, the CEO of the MCC and four outside representatives. The Board of Directors makes the critical final decision about country selection based on the following guideline: "For a country to be selected as eligible for an MCC assistance program, it must demonstrate a commitment to policies that promote political and economic freedom, investments in education and health, control of corruption, and respect for civil liberties and the rule of law as measured by 17 different policy indicators" (MCC 2008b). Once selected, these countries are invited to negotiate compacts with the MCC spelling out what level of funding they need and how the funds will be used. The compacts are public documents that include multiyear plans that detail development objectives for the eligible country.

By early 2008, the MCC had signed compacts with 16 countries totaling \$5.6 billion. The actual implementation of compacts and disbursement of funds, however, was slow with under \$100 million disbursed in FY 05 and 06 and \$137 million in FY 07. Rather than \$5 billion, which the president had committed to when the MCC was first proposed in 2002, the Administration requested \$3 billion for FY 07 and Congress appropriated less than \$1.75 billion (Appropriations 2008; US Department of State 2008: 1).

Implementing the MCC has been more challenging than the Administration anticipated. Negotiating compacts has been time-consuming since the MCC requires the involvement of a diverse group of stakeholders, not just the government. The MCC has tried to combat some of the more typical complaints against foreign aid funding

by establishing new and more detailed monitoring procedures for programs. The initial staffing was modest, too modest to carry out all of the Corporation's necessary responsibilities. It is too early to say whether or not what was billed as a completely new approach to US foreign assistance has made a notable difference in the political and economic development of targeted countries. Development is a complex process, often, perhaps always, driven by path-dependent rather than structural factors. Nevertheless, the MCA has focused attention on the link between governance and development. The indicators, for instance, Days to Start a Business, have led to policy changes in potential recipient countries. These policy changes may be more consequential than the funds that the MCC disburses.

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The MCA was an approach to foreign aid that resonated with the Administration's general orientation of "compassionate conservatism" and support for freedom and democracy. Unlike previous aid programs, the MCA puts the responsibility for change on the recipients of aid. Conditionality in the MCA is *ex post* not *ex ante*; that is, countries must demonstrate that they have actually made changes before they can be selected for the program. Conventional *ex ante* conditionality provides assistance on the basis of a promise of reform. The three democracy indicators play a key role in the selection process even though these indicators are not correlated with economic growth.

### The European approach

The MCC is the most striking example of how the idea of improved governance and a purported link between it and growth has been translated into a policy response. But this response has not been limited to the United States. The entire EU accession framework (as outlined in the Copenhagen criteria of 1993), is, of course, predicated on the idea of conditionality and specific institutional changes in prospective member states designed to bring about concrete improvements in governance. This approach has enabled ten former communist countries to transform themselves into liberal democracies with market economies in under 15 years.

As Risse and Börzel note in Chapter 2, this volume, the EU concluded the first agreement based on conditionality with the ACP (African, Caribbean and Pacific Group) Countries. This was the Lomé IV

agreement of 1989, which also mentioned “good governance” for the first time in Article 5.

The idea of conditionality of aid based on concrete governance improvements is a crucial aspect of the EU’s Neighbourhood Partner Instrument – 16 nearby countries in the Middle East, North Africa and Eurasia receive a higher share of aid than do developing states outside the Neighbourhood framework. In return, they are required to make some specific institutional reforms designed to promote improved governance (Youngs 2008b: 163). In 2006, the EU established the Governance Facility of the European Neighbourhood and Partnership Instrument (ENPI), as a way of providing additional support, on top of the normal country allocations, to acknowledge and support the work of those partner countries who have made most progress in implementing the agreed reform agenda set out in their Action Plan. In line with an assessment of progress made in implementing the (broadly defined) governance aspects of the Action Plans, this funding would be made available to top-up national allocations, to support key elements of the reform agenda; this will help reformist governments to strengthen their domestic constituencies for reform (Europa 2008: 1).

\* \* \*

Like the MCC then, the Governance Facility of the ENPI is aimed at improving governance in particular, and rewards those recipient states that have already made some progress on reform. These rewards are conditional on recipient states having met specific targets in areas like corruption.

Although the Governance Facility of the ENPI is similar to the MCC’s emphasis on conditionality and governance in general, its specific goal is to bring local government into alignment with EU legislation. This form of conditionality is far more intrusive than the MCC or other programs run by the United States. Examples of what are termed “governance related” priorities include respect for human rights and the rule of law and tackling corruption (not dissimilar from some of the governance concerns of the MCC), but also reforms in “the internal market, competition policy, intellectual property, and customs fraud; cooperation in judicial, fiscal, police and border management; cooperation in the management of migratory flows, illegal migration and the fight against trafficking of human beings; and sectoral reforms (transport, energy, environment)” (Europa 2008: 3). By 2008, two countries, Ukraine and Morocco, had received funds from the Governance Facility.

Beyond the Governance Facility and general Neighbourhood and accession frameworks, EU Commission aid decisions and individual member state aid decisions do not in practice seem to be determined by specific improvements in governance or democracy in recipient states. As Richard Youngs notes, “most European governments and institutions set governance criteria that are supposed to be met as a condition of aid given to recipients around the world, but the positive rewards logic has been insignificant in practice” (2008b: 7). For example, the UK funded good governance programs in Nigeria for several years in advance of the 2007 elections there, yet those elections were less free and fair than those of 1999 or 2003. Despite this, UK governance funding to Nigeria was not cut (Youngs 2008b: 167).

While Georgia and Ukraine initially benefited from increased aid following their “color revolutions,” they were arguably abandoned not long after by the EU. Yet as noted above, Morocco, a country that can best be characterized as a “progressive” autocracy, has benefited from increased funding from the European Commission’s Governance Facility, and from bilateral aid from individual European countries – €200 million from France, €62 million from Germany and €40 million from Italy (Youngs 2008a: 7). (Morocco is also a recipient of MCC funds.) Egypt has also not seen a decrease in aid flow even though it has become less, not more democratic in the last decade (Youngs 2008a).

Moreover, studies of European aid flow indicate that although governance is a rhetorical priority for Europe, and conditionality is nowhere stronger than in the EU accession process at least with regard to the adoption as opposed to the implementation of laws, in fact, the biggest EU donor states (the UK, France, Germany, Denmark and the Netherlands), beyond the accession and ENPI frameworks, do not actually condition their aid on governance. Youngs argues that “some of the most generous European aid increases in recent years have gone to authoritarian or semi-autocratic states and European governments have not put in place sufficiently rigorous criteria to tie aid allocations to democratic progress” (2008b: 6). This conclusion is borne out in our statistical analysis in this chapter. Despite this general trend, however, there are clearly incidents of EU states withdrawing aid from poorly behaving states, as the Ugandan example below indicates.

### **Aid reductions to Uganda**

Uganda’s aid flows indicate that donors do sometimes cut aid in response to bad governance. The UK, Ireland, Norway, the Netherlands, and the World Bank together cut over \$70 million because the government

repressed the opposition by incarcerating its leading contender for the presidency and mismanaged public finances. Half of Uganda's budget depends on donor funding. However, the aid cut was small, 3.5 percent of Uganda's budget that year, with donors individually withholding between 5 and 60 percent of the aid they intended for the budget. The bilateral donors rerouted their funds to humanitarian organizations, especially the UN, operating in war-torn northern Uganda where 1.5 million lived in internally displaced camps (*Agence France Presse* 2005a). This section traces the events that led to specific donor cuts to Uganda's budget while governance deteriorated.

The 2006 elections could have marked the first peaceful transition from one democratically elected president to another since Uganda's independence from the UK in 1962. The incumbent, Yoweri Museveni, became president in 1986 after overthrowing a regime associated with violating human rights and running the economy dry. Museveni brought remarkable political and economic development to Uganda fairly rapidly. Within ten years, he consolidated power, facilitated economic recovery, reversed the spread of AIDS, and oversaw the drafting of a constitution that laid the groundwork for democratic transition. In 1997, US Secretary of State Madeline Albright called Uganda a "beacon of hope" (quoted in *The New York Times* 1997). Donors, who contributed to the reconstruction, proudly hailed Uganda as a model success story (Devarajan, Dollar, and Holmgren 2001). Most notably, the constitution called for presidential term limits after two five-year terms.

Museveni won the first two elections under the new constitution in 1996 and 2001 with 75 and 69 percent of the vote respectively and promised to comply with term limits by not running again. But a gap emerged between Museveni and donors after the 2001 elections. Despite Museveni's claim that his second term would be his last, in 2003, Museveni's party, the National Resistance Movement (NRM), called for amending the constitution to eliminate term limits (Tangri 2006). Museveni argued that the amendment would free citizens to vote for their candidate, even if always the incumbent: "The issue of who leads Uganda is up to people in regular elections... We should give that sovereignty to the people of Uganda" (quoted in *The Monitor* 2005c).

The international community balked at Museveni's apparent interest in being "president for life" and threatened to withdraw assistance.<sup>7</sup> On April 29, 2005, the UK cut approximately \$10 million, or about 10 percent, of its direct support for Uganda's budget, known as budget support, "due to concerns about the progress of Uganda's political transition leading up to multi-party elections in 2006" (Department



for International Development 2005). Ireland then cut approximately \$2.5 million, about 6 percent of its budget support to Uganda (*The Irish Times* 2005). Ireland's Minister for Foreign Affairs, Dermot Ahern, explained at the time, "I am very concerned with the ongoing situation in Uganda and I believe that by reducing our direct funding to the administration, in partnership with other countries, it will send a very clear message about political reform" (quoted in *The Irish Times* 2005).

These aid cuts occurred even though Uganda appeared to move toward open political competition. The Ugandan parliament, urged by Museveni, agreed to call a July-28 referendum on whether Uganda should open politics to more parties than just the NRM (*British Broadcasting Company* 2005b). Museveni campaigned for multiparty politics, reversing his long-standing insistence that Uganda was a "Movement democracy" with all citizens belonging to the NRM (Kasfir 1998). Citizens ran in elections as individuals, not members of opposition parties. An independent journalist, Andrew Mwenda, reported in 2003 that the government sought multiparty politics at all in order to appease donors (*The Monitor* 2003). Later, Mwenda (2007) argued that the referendum itself was "an effort to direct attention away from the real issues." In the middle of the referendum campaign, on July 12, the parliament voted to remove presidential term limits. A week later, Norway withdrew \$4 million or one-third of its budget support (*The Monitor* 2005b). According to Norway's Minister for Development, Hilde Frafjord Johnsen, "The reason for the cuts is a growing awareness related to the negative development in the Ugandan government's handling of democracy, human rights and the fight against corruption" (quoted in *The Monitor* 2005b).

The next wave of aid cuts occurred after Museveni's government arrested opposition candidate Kizza Besigye on November 14. Besigye had run against Museveni in 2001. Three weeks after Besigye returned to Uganda from "self-imposed exile," the government charged Besigye with treason, rape, terrorism, and possession of weapons (*Agence France Press* 2005b; *Associated Press Worldstream* 2006; *The New York Times* 2006b). The Netherlands then withdrew \$7 million, nearly 30 percent of its budget support, "based," according to the Dutch embassy, "on the concern of the Netherlands that insufficient progress is being made on governance issues (especially as related to the political transition) and in the area of macroeconomic management" (*Associated Press Worldstream* 2005b; *Agence France Presse* 2005c). By mid-December, Sweden withheld approximately \$5 million, or 60 percent of its budget-support aid, and redirected \$3.2 million to humanitarian projects in Northern Uganda (*Associated Press Worldstream* 2005a;

*Deutsche Presse-Agentur* 2005). According to Swedish Aid Minister Carin Jamtin, following the elections, “we will make a new assessment of the situation in the country where democracy is concerned, including the carrying out of elections, and then decide if we can pay out the rest of the money in budget support” (quoted in *Associated Press Worldstream* 2005a). The next day, Uganda lost \$28 million from the UK, 40 percent of the budgetary support the UK originally promised, and the UK directed three-quarters of the cut aid to Northern Uganda (*Agence France Presse* 2005b). The UK’s Department for International Development explained that

The decision comes after an economic and governance assessment raised concerns over: The government’s commitment to the independence of the judiciary, freedom of the press and freedom of association following the events surrounding the arrest and trial of the leader of the Forum for Democratic Change, Kizza Besigye; Delays in the government’s own road map for the political transition; The continuation of state financing for the ruling party in a new era of multi-party politics; and A significant overrun on public administration expenditure. (Department for International Development 2005)

After this second wave of cuts, on January 2, 2006, the courts released Besigye who had registered to run for president from his prison cell (*The New York Times* 2006b; *The Independent* 2006). He had six weeks to campaign for the presidency, and he lost with 37 percent of the vote to Museveni’s 59 percent on February 23 (*The New York Times* 2006a). Besigye challenged the results, but lost in a four to three decision in which the Supreme Court argued that NRM irregularities were insufficient to overcome the election results (*The East African* 2006). The EU drafted an election-observer report that praised Uganda for holding a multiparty election, but expressed concern over lack of a “level playing field” (European Union 2006: 1). Like the Supreme Court, the EU concluded that the campaign’s irregularities did not change the election result, but pointed out that incumbency gave Museveni unusual advantages. For example, the *New York Times* (2006a) reported that “The legal adviser to the president was shown in a front-page photograph in an independent newspaper ... wielding a gun as he directed security forces outside one polling station.”

Once the EU released the final version of its election report, the UK agreed to disburse \$8 million it had withheld, but to give less the following year. Britain’s Secretary of State for International Development,

Hilary Benn, explained “I...welcome the conclusions of independent election observers that Uganda’s recent elections were generally peaceful, and that voting was well administered, transparent and competitive... [But,] I am not able to proceed with our previous budget support plans for Uganda in 2006/07 in full because I am concerned about governance, public administration expenditure, and some aspects of the Government’s new budget plans. We also need to make adequate provision for the humanitarian needs of those people in northern Uganda who have been forced from their homes by conflict” (Department for International Development 2006).

Multilateral donors also cut Uganda’s budget aid. In particular, in November of 2005, the World Bank cut its budget support by \$15 million, 10 percent of the \$150 million initially promised, because Uganda’s public-administration expenditures exceeded expected expenditures by almost 13 percent (*The Monitor* 2005c). In addition, the UN cut forms of aid other than budget support. The UN Global Fund for AIDS, Malaria and Tuberculosis withheld \$367 million during this period because an audit by PricewaterhouseCoopers revealed “serious mismanagement” of the \$45 million previously disbursed funds (Global Fund for AIDS, Tuberculosis and Malaria 2005a; *The Monitor* 2006; *Agence France Presse* 2006; *BBC* 2005a). The UN released these grants after Museveni launched a commission to explain the discrepancies and asked Ernst and Young to audit the grants (Global Fund for AIDS, Tuberculosis and Malaria 2005b; *Agence France Presse* 2006).

In Uganda, donors were willing to withdraw some of their aid (or reroute it to humanitarian activities) in response to bad governance. The aggregate data below, however, demonstrates that donors are unresponsive on average.

### **Statistical review of aid flows and governance**

Despite some specific programs, such as the MCC and the EU’s Governance Facility, and policies toward individual countries like Uganda, aggregate levels of assistance have not changed in response to changes in governance in recipient countries. We show this empirically and give possible reasons to explain the result in the conclusion. In this section, we compare changes in aid disbursements from the European Commission and from the largest bilateral donors between 2000 and 2006. These countries together gave 80 percent of bilateral aid during the period. Our dependent variable, aid per capita disbursed by each donor, comes from the OECD Development Assistance Committee. We measured it as the difference in net official development assistance per

capita between 2000 and 2006. On average, aid to developing countries increased by \$5.80 per capita over the six-year period. It increased everywhere – by \$1.66 in Latin America, \$4.47 in Asia, \$8.13 in sub-Saharan Africa, and \$26.22 in north Africa and in the Middle East (\$3.86 excluding Iraq) – except in Eastern Europe, where it declined by \$13.62.

Did these changes in aid correspond to government performance? To answer the question, we search for correlation in changes in governance with changes in per capita aid disbursements. We measure governance with the Polity IV scale, which codes states from –10 to 10, with 10 representing democracy and –10 representing autocracy. The Polity variable consists of an aggregate of data for each regime, including three categories of variables: degree of (1) regulation and openness for executive transition, (2) institutionalized checks on the executive, and (3) regulation and openness for political participation, including political stability.<sup>8</sup> On average, governance improved by half a point on the Polity scale between 2000 and 2006 across the developing countries in the sample. Improvements vary by region, however. For instance, African countries improved the most, by 1.2 points on average, Eastern European countries improved by 1.1, and Latin American countries improved by almost half a point. Asia declined by a full point and the Middle East stayed the same. We also measure governance as a recipient's change in trade as a percentage of GDP.<sup>9</sup> Trade policy is one of the MCC indicators. On average, states improved trade as a percentage of GDP by 6.5 percent. Eastern Europe declined by 6.8 percent, while other regions improved; Asia by 7.1 percent, Africa by 7.2 percent, Latin America by 9.6 percent, and the Middle East by 19.7 percent. We illustrate the results in Table 3.1 for all countries and in Table 3.2 for Africa, a region that received particular attention from the Bush Administration.

We transform the dependent variable into a “first difference,” subtracting 2006 aid levels from 2000 aid levels, in order to control for a host of factors that influence the level of aid, including whether the recipient is a former colony of the donor, whether it is geographically close to the donor, whether it shares a language with the donor, and whether the recipient has any other long-standing relationship with the donor, such as the US relationships with Israel and Egypt (Alesina and Dollar 2000; Alesina and Weder 2002; Neumayer 2003). More importantly, estimating a first-difference model minimizes omitted variable bias that might arise from donors' mixed motives for disbursement.<sup>10</sup> These observed and unobserved factors are constant with time whereas

*Table 3.1* Does change in governance change disbursement? DV: change in aid per capita\*

	EC	USA	JPN	FRA	DEU	GBR	NLD	SWE
Change in polity	0.187* (0.059)	0.359 (0.176)	0.17 (0.135)	0.07 (0.205)	0.127 (0.047)	0.031* (0.010)	0.035 (0.043)	0.057 (0.024)
Change in trade/GDP	0.028 (0.012)	0.066 (0.035)	-0.009 (0.013)	0 (0.003)	0 (0.007)	-0.002 (0.003)	0.005 (0.004)	0.010 (0.005)
Change in GDP per capita	0 (0.001)	0.001 (0.001)	0 (0.000)	0.001 (0.001)	0 (0.000)	0 (0.000)	0 (0.000)	-0.000 (0.000)
Initial aid	-0.720** (0.110)	-0.112 (0.218)	-0.576** (0.113)	0.469** (0.075)	-0.282 (0.126)	-0.549** (0.038)	-0.533** (0.106)	-0.576** (0.094)
Constant	3.042* (0.920)	1.338 (1.329)	1.458* (0.447)	-0.863 (0.819)	0.718 (0.285)	1.390** (0.080)	0.32 (0.204)	0.584** (0.092)
Observations	94	91	93	94	95	80	83	88
Region fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R <sup>2</sup>	0.72	0.11	0.35	0.16	0.14	0.31	0.64	0.6

*Notes:* Robust standard errors in parentheses; \* significant at 5%; \*\* significant at 1%. These regressions exclude Iraq and Afghanistan because of missing data.

Table 3.2 Does change in governance change disbursement in Africa? DV: difference in aid per capita

	EC	USA	JPN	FRA	DEU	GBR	NLD	SWE
Change in polity	0.095 (0.216)	0.571 (0.349)	0.162 (0.144)	0.565 (0.392)	0.183 (0.168)	0.052 (0.137)	0.119 (0.079)	0.05 (0.051)
Change in trade/GDP	0.031 (0.031)	0.151* (0.066)	-0.014 (0.021)	0.037 (0.053)	-0.012 (0.020)	-0.008 (0.018)	0.012 (0.015)	0.018 (0.011)
Change in GDP per capita	0.001 (0.002)	0.004 (0.002)	-0.001* (0.000)	0.006 (0.003)	-0.001 (0.001)	-0.001* (0.001)	0 (0.000)	0 (0.000)
Initial aid	-0.955** (0.113)	-0.097 (0.494)	-0.855** (0.116)	0.618 (0.389)	-0.181 (0.405)	-0.532** (0.100)	-0.526** (0.101)	-0.683** (0.079)
Constant	5.419** (0.889)	1.043 (2.012)	2.482** (0.810)	-4.148 (2.356)	0.978 (0.969)	2.666* (1.106)	0.347 (0.302)	0.725** (0.176)
Observations	37	37	36	36	37	35	30	33
R <sup>2</sup>	0.79	0.27	0.51	0.26	0.11	0.3	0.6	0.81

Notes: Robust standard errors in parentheses; \* significant at 5%; \*\* significant at 1%

governance can change and therefore could be associated with a change in aid over that period. We control for another factor that changes over time and could influence changes in aid: we control for a recipient's change in income, since poorer countries could attract more aid.<sup>11</sup> Finally, we also control for the initial level of aid, since countries with lower levels may experience greater increases in aid, and we include region fixed effects because different regions attract varying levels of attention and aid from donors. We run the regressions using Ordinary Least Squares (OLS).<sup>12</sup>

We do not lag the independent variables because estimating the impact of change in governance in one period on changes in aid in another introduces potentially confounding variables. Estimating changes in aid between 2000 and 2006 introduces variables that are specific to 2000–2006, but that cannot be accounted for with variables specific to, for example, 1996–2000. By using a single time period, our model accounts for these potentially confounding factors. (When we did regress the change in aid between 2000 and 2006 on the change in governance between 1996 and 2000, the results did not change anyway.)

Our results indicate that, on average, donors fail to reward governance improvements. We find no significant effect of changes in governance on changes in aid by any donor (see Table 3.1). None of the statistically significant results in Table 3.1 are robust to the presence of outliers. The same results hold for Africa when it is separated out from the general findings (see Table 3.2).

Per capita income also fails to determine aid flows in the full sample. In the sub-sample of African states, Japan and Great Britain seem to give more to countries with lower per capita income, but the relationships disappear when we exclude only Botswana, with the largest improvement on income. France's positive response to wealthier African countries also disappears when we exclude the Republic of the Congo, which received the highest increase in aid from France. The only determinant of changes in aid in the general sample as well as the Africa sub-sample is the initial level of aid; countries with lower aid levels in 2000 received more aid in 2006 than countries with higher aid levels in 2000. Perhaps this is because countries with lower aid levels have more "room" to receive. In other words, a donor's aid disbursements could converge over time. Our model therefore indicates that donor policies, reflected by their aid flows, fail to reward success stories or punish failures. In this sense, donor policy has been unable to match the latest consensus on development.

## Conclusions

Perhaps more than any group involved with foreign policy, the development community is highly professionalized. Thousands of PhDs have been employed by bilateral aid agencies, international financial institutions, and NGOs. Research findings are bound to have some impact. It was hardly surprising that once a relationship had been shown between better governance and aid effectiveness, that this finding would alter some aid programs. Nevertheless, as the statistical analysis presented in this chapter shows, at an overall level aid has not become more highly correlated with the allocation of assistance.

There are several reasons for this result. First, development, whether economic or political, has not been the only objective of foreign assistance programs. Aid has been given for political purposes and for humanitarian assistance. One study found that a country's foreign assistance from the United States increases by 59 percent when it holds a seat on the UN Security Council (Kuziemko and Werker 2006: 905). The US has committed large sums to Egypt to help cement peace with Israel. Donor countries have engaged in a number of programs that provide humanitarian assistance. In FY 07 the United States allocated \$3.2 billion for the Global HIV/AIDS Initiative, \$1.1 billion for refugee and migration assistance, \$1.9 billion for child survival and health, and \$526 million for international disaster assistance, a total of \$6.7 billion, far more than the \$1.75 billion for the Millennium Challenge Corporation (US Department of State 2009: 1–2).

Second, while the relationship between aid effectiveness and better governance has been widely acknowledged there is also another strategic orientation, perhaps an even more powerful one, endorsed by virtually all developing countries and by many actors in the donor world as well; namely, that industrialized countries ought to contribute at least 0.7 percent of their GNP to foreign assistance. The figure was formally proposed in the 1969 Pearson Commission Report and has achieved totemic status, at least mentioned in every meeting that is concerned with economic development. Seven tenths of a percent as an aid target has no relationship to the governance capacity of developing countries and, arguably, no relationship to the actual needs of potential recipients. The figure originated with aid advocates in the 1950s. It was loosely supported by work based on the Harrod-Domar model specifying how much foreign assistance would be necessary for the developing world to achieve 5 percent growth rates. If the same calculations were performed today the figure would be far less because industrialized



countries have grown more quickly than developing ones (Clemens and Moss 2005). Thus, both the multiplicity of objectives for foreign assistance, political and humanitarian not just development; and pressure to maintain aid flows regardless of the governance capacity of developing countries help to explain why the acknowledged relationship between governance and aid effectiveness has not affected the overall pattern of aid flows even if it has changed language and some specific programs in donor countries.

All of the multiple factors impacting foreign assistance have been reflected in recent American efforts to rationalize foreign assistance. In 2005 and 2006, the US State Department moved to integrate assistance policies across the State Department and USAID, whose administrator formally reports to the Secretary of State. A new position was created, the Director of Foreign Assistance (DFA), to which the Administrator of USAID was appointed. The Secretary delegated authority to the DFA for all assistance programs in State and USAID.

Another element of this reform involved developing a “Foreign Assistance Framework.” The framework relates different kinds of assistance to country characteristics, explicitly recognizing that American assistance will not just flow to relatively well-governed states (US Department of State 2007). Five kinds of countries were identified: rebuilding countries (conflict and post-conflict countries), developing countries (low and lower middle income countries that have not passed the MCC criteria), transforming countries (low and lower middle income countries that have met the MCC criteria), sustaining partnership countries (upper middle income countries), and restrictive countries (countries with significant governance issues). The framework then identifies appropriate activities in each of five areas – peace and security, governing justly and democratically, investing in people, economic growth, humanitarian assistance – and the foreign assistance accounts in State and USAID, of which there are 20, appropriate for use in each cell of the framework. For instance, the peace and security objective for “rebuilding countries” is to “prevent or mitigate state failure and/or violent conflict,” while that for “transforming countries” is to “nurture progress toward partnerships on security and law enforcement.” This approach mirrors the one developed in *The Bottom Billion*, where Paul Collier (2007) argues that different kinds of foreign assistance programs are appropriate for countries in different kinds of traps. At least two of Colliers’ traps, conflict and bad governance, map onto the US government framework.

In sum, donor states may acknowledge that foreign assistance will not promote economic development where governance is poor, but aid is about more than development. Advocacy groups in all countries, constituents for some social democratic parties in Europe, as well as strategic goals and humanitarian needs will compel donors to maintain a variety of foreign assistance programs.

## Acknowledgement

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## Notes

1. The World Bank Institute has developed six governance indicators: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. The voice and accountability indicator is essentially a measure of democracy. This represents something of a consensus view of what good governance comprises.
2. The British government, for instance, offered a proposal to pay off 10 percent of the debt of developing countries to international institutions in September 2004 and urged the IMF to revalue its gold reserves so that the debt of the poorest countries could be eliminated. Debt relief was also endorsed by the United States at the annual IMF meeting in 2004 and appeared to be on its way to acceptance by the IMF. See Cowell (2004) and *New York Times* (2004). Finally, the G-8 countries in the summer of 2005 further agreed to relieve African debt obligations in particular. For arguments in favor of untargeted aid and debt relief see Sachs (2005).
3. See, for example, Rodrik, Subramanian, and Trebbi (2004). See also Sachs (2003).
4. La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997). However, in a recent paper by Glaeser, La Porta, Lopez-de-Silanes, and Shleifer, Shleifer and his colleagues abandon this and other arguments about institutions contending that institutions do not explain economic growth and arguing instead for the Lipset position which associates growth and institutions with initial socioeconomic conditions coupled with decisions taken by political leaders. See also Glaeser and Saks (2004).
5. The one exception to this rule was the indicator for inflation where the passing grade was not above average but rather an inflation rate below 20 percent. The report to Congress regarding the selection criteria can be found at Millennium Challenge Corporate, *Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in FY 2004* at [http://mcc.gov/countries/selection/methodology\\_report.pdf](http://mcc.gov/countries/selection/methodology_report.pdf).
6. Paul Applegarth, an investment banker, became the first CEO of the MCC in May of 2004.

7. In February 2001, Irish rock star, Bob Geldof, delivered a speech at a meeting of the UK's Commission on Africa report in which he accused Museveni of "trying to be President for life." The speech sparked protests against Geldof in Uganda. See *British Broadcasting Corporation* (2005c). Also see Geldof (2005).
8. See M. G. Marshall and K. Jagers (2006). Alternatively, we could research the correlation using the World Bank's Worldwide Governance Indicators (WGI). The Bank measures performance in each country across six governance categories using 340 variables representing risk assessments and surveys of individuals and firms from 32 organizations, including for-profit risk rating agencies, non-governmental and public sector groups (see note 1). The Bank provides an annual estimate for each country after weighing the country's average across the relevant variables for each governance indicator and standardizing it. These estimates come with margins of error, which indicate the range of possible estimates with 90 percent certainty. The margin of error increases when a country's underlying governance data are missing or of poor quality. Kaufmann and Kraay (2002) point out that we can therefore have confidence in the direction of the point estimate, but, they warn, the size of annual change may be imprecise especially when change is measured within a few years. In general, Kaufmann and Kraay recommend that researchers study change where the values from one year to the next exceed the 90 percent confidence interval (Kaufmann et al. 2008). Approximately one quarter of the sample passes this threshold, making the sample size far too small (in the 20s for most regressions). For this reason, we prefer to measure governance with the Polity score. Nevertheless, whether we estimate changes in governance as changes in Polity or changes in World Bank point estimates, we find no trend linking aid to governance. See Kaufmann, Kraay, and Mastruzzi (2008). Also see Kaufmann and Kraay (2002).
9. We obtained the trade data from the World Development Indicators at the World Bank.
10. Ideally we could control for UN voting, a variable associated with aid disbursements, but data is unavailable for the period we study. See Stone (2004). Also see Barro and Lee (2002). Also see Thacker (1999).
11. We obtained the GDP data from the IMF.
12. Some researchers use Tobit models instead of OLS to study determinants of aid because Tobit models account for countries that receive no aid. For example, see Alesina and Dollar (2000). As Alesina and Dollar (2000) find, however, most developing countries receive at least some aid from the major donors. Not surprisingly, the Tobit and OLS models yield similar results.

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# 4

## Europe, the United States, and Middle Eastern Democracy

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As the Obama administration takes office it is instructive to assess the extent of divisions between the United States and European governments on Middle East policy that emerged in the wake of the terrorist attacks of 9/11. In the years since the invasion of Iraq, the issue of democracy promotion in the Middle East has often been a focus of discussions over the breach in transatlantic relations – sometimes presented as a major cause of discord, sometimes as the stepping-stone to renewed harmony of purpose (Asmus and Pollack 2002: 3–18; Kopstein 2006: 85–98; Drozdiak 2004: 30). Within the context of the issues explored in this volume, the Middle East is significant in presenting itself – apparently – as the case *par excellence* of transatlantic divergence over democracy promotion.

This chapter looks beyond the highly charged, Iraq-related deterioration in the transatlantic relationship at the empirical record, in order to assess the real similarities and differences in the two actors' democracy promotion strategies in the Middle East. The analysis offered here cautions against parsimony. In so doing, it provides a corrective to the tendency of many writers to apply readings of the macro-level trends in transatlantic politics to the issue of democracy promotion, with no more than a cursory look at the detailed substance of democracy assistance strategies. These writers make assumptions: either that only Europe favors the appropriately sophisticated methods of encouraging sustainable political change, while the United States seeks coercive imposition of democracy; or, alternatively, that only the United States is serious about political reform in the Middle East, with Europeans spinelessly wedded to their alliances with autocratic incumbents. Neither of these black-and-white perspectives is borne out by the facts.

An examination of the empirical record of both diplomatic and financial efforts reveals that, beyond the well-known tensions of recent



years, American and European policies exhibit many similarities. Both actors made strong commitments to supporting Arab democracy in the wake of 9/11, and articulated an understanding that democratic development in the Arab world was important to the security of Western states. Both actors shifted some way back towards realist alliance-building with regimes from 2006–07, in light of mounting regional security challenges and problematic electoral outcomes – especially the victory of Hamas in Palestinian legislative elections. Both parties have been reluctant to engage with Islamist opposition groups, but have done so in various instances.

Compared to European governments, the Bush Administration tended to conceive of democracy promotion in more directly strategic terms; often criticized Middle Eastern regimes more harshly; and sometimes focused more on democracy as a means of removing unfriendly governments. Yet our chapter finds that on all such issues it is misleading to position the EU at a polar opposite to the US. Despite all the mutual recriminations the similarities between Europe and the United States have been at least as significant as the differences. Where real policy divergence does exist, it appears rooted in the contrasting foundations and motivations from which the two actors seek to construct their respective democracy promotion policies in the Middle East. Some improvement in transatlantic coordination in the Middle East has been forthcoming since the low point of 2003–05, helped by the arrival of new leaders in France and Germany as well as by a sobered attitude toward the challenge of Arab political reform. At bottom, both European and American officials have struggled with the same two challenges: whether and how to offer Arab governments meaningfully significant incentives for democratic reform; and how to mesh the long-term objective of supporting democracy with short-term strategic objectives. Both actors, then, evidence a degree of ambivalence about the project that hampers their policy effectiveness.

### **Transatlantic tension on Middle East reform**

Tensions across the Atlantic on this issue emerged early, in Europeans' initial, skeptical reactions to the new US–Middle East reform initiatives launched in the wake of 9/11. The president's "forward strategy of freedom" was the first attempt by the Bush Administration to enunciate a positive vision for American engagement in the post-Saddam Middle East. It was also, quite consciously, a strategy for winning the war on terrorism by transforming the dysfunctional politics of the region,

which in Bush's view made Arab citizens resentful and repressed and so more vulnerable to the appeals of extremist ideology. The Freedom Agenda, as the Administration formally dubbed it, was billed as the political face of America's counterterrorism effort. However, the context for the policy also included the invasion of Iraq and staunch American resistance to more intensive conflict resolution efforts between Israel and the Palestinians.

The Greater Middle East Initiative – proposed by the Bush Administration in 2004 as the main focus of its chairmanship of the Group of Eight – thus met with a cool, and in some cases openly hostile, response from European governments. A range of European objections surfaced against this Initiative's proposal for closer and more institutionalized transatlantic cooperation on Middle East reform. One concern was that Washington was perceived as trying to use the European Union's well-established presence in the region for its own ends and wrest control from European initiatives. The United States was accused, in the words of one EU official, of "pinching our ideas." Some Europeans feared that, in light of America's damaged reputation in the Middle East, partnership with America would constrain European options, while – based on the lessons of "joint" efforts in the Palestinian Authority – doing little to share the financial burden. A related and commonly expressed European fear was that well-designed, understated EU reform efforts would suffer from being associated with more intensive (and aggressive) US activity (Perthes 2004: 85–97).

The most specific European complaint was that the Greater Middle East Initiative was not drawn up in consultation with either governments or civil society in the Middle East. An early draft of the US proposal was leaked in February to an Arabic newspaper, *Al-Hayat*, raising an outcry among Arab leaders that America was attempting to impose external political models on the region (*Al-Hayat* 2004). In order to sign up to a common initiative at June 2004's G-8 summit, Europeans – in conjunction with Arab governments – insisted on far-reaching revisions: a change of name to the Broader Middle East and North Africa Initiative; a narrower geographical focus, excluding Pakistan and Afghanistan; a strengthened link in the initiative's language between reform efforts and progress on the Arab–Israeli conflict; and the absolute centrality of consultation with Arab governments. This last concern was reflected through the institution that became BMENA's centerpiece, the Forum for the Future, a ministerial forum designed to discuss reforms in partnership with government representatives from the Middle East. At US insistence, the Forum was expanded to include Arab government,

business, and civil society representatives as “partners” in the project of reform. Still, the early leak resulted in America’s losing the initiative on the issue, and the State Department was compelled to spend its time reassuring European governments, instead of lobbying for its proposal. This turned the focus of the whole Initiative from engaging civil society forces towards ensuring Arab governments’ participation – or at least forbearance (International Crisis Group 2004).

Beyond the dispute over partnership, Europe and the United States diverged at first on some basic principles surrounding the Initiative. While European officials, such as Germany’s then-Foreign Minister Joschka Fischer, expressed the same concerns as President Bush about Arab political stagnation fueling radicalism that threatens Western interests, Fischer and others argued that the Arab–Israeli conflict was also a major source of radicalization and therefore deserved equal attention to reform. The final BMENA statement referred to the two issues as equivalent priorities. The United States was keen for political aid programs to be managed under a common fund, to reduce duplication and attain greater impact, but Europeans agreed only to information sharing within a new Democracy Assistance Dialogue (co-sponsored by Turkey, Yemen and Italy). Europeans argued against the creation of new organizational structures, agreeing to consultations but not formal cooperation on the concrete implementation of democracy strategy.

These disagreements over the Broader Middle East and North Africa Initiative in 2004–05 were so fiercely and publicly aired in no small part because many European policymakers found the Middle East reform agenda a useful means of staking out broader positions towards US pre-eminence. This is seen through the frequent warnings issued by Europeans to Washington that democracy cannot be “imposed by force” – though America was not suggesting such a strategy. The “partnership” approach was explicitly justified and advocated as the European Union’s “comparative advantage” over the American tendency toward unilateralism (Commission of the European Communities 2004).

A second critique was that US approaches failed to embrace the European recognition that reform policies properly require a long-term and holistic approach. The distinctive European approach in the Middle East is asserted to be one based on gradual and comprehensive processes of reform that link political change to broader issues of social justice, local participation and the modernization of governance structures. In a widely quoted speech, Commissioner Chris Patten felt it important to warn US policymakers that “developing democracy is not like making

instant coffee" (Patten 2004). A third element of Europeans' criticism of American democracy promotion which also served to highlight broader policy differences was evident when European governments admonished the United States for being drawn to reactive, symptoms-rather-than-causes approaches to security.

Geographical proximity – it is commonly suggested – imbues European strategies with a more sensitive, more complete and more long-term take on security and reform in the Middle East. By contrast, Europeans argue, America's post-9/11 lashing-out led to Washington pursuing democracy in too heavy-handed and instrumental a fashion. Europeans likewise distinguish their self-consciously regional approach from the perceived US preference for approaching reform through preferential bilateral relations. Efforts to renew UK–French–German collaboration – for example, toward Iran – suggest that the depth of transatlantic division over Iraq may have been salutary enough to jolt European states into more clearly defining their own distinctive approach to world affairs through more common endeavors on Middle East reform. This strategy also served the UK's desire to counterbalance its involvement in Iraq with the recovery of a broader sense of European distinctiveness.

The BMENA soon became a fairly low-profile forum, and one with decreasing outputs (indeed the Forum for the Future did not convene in 2007 at all). But significant tensions remained between the European Union and the United States over democracy promotion. French officials have continued to fret that the BMENA is too American in design and authorship; US officials have lamented that their initial plans were watered down into something far too French in its caution and gradualism. One expert argues that the BMENA merely "paper[s] over differences" on the more concrete aspects of reform policies (Yacoubian 2004). The International Crisis Group recognized that the final agreement on the BMENA "may at least apply some balm on a transatlantic relationship rubbed raw by differences over Iraq," but concluded pessimistically that "friction is almost as likely as balm ... over the next few years" (International Crisis Group 2004). French Foreign Minister Michel Barnier's speech at the first Forum for the Future laid primary emphasis not on the importance of proactively supporting democratization, but on the factors that would qualify its fruitful promotion – in particular, the nature of international policies towards the Arab–Israel conflict and Iraq (Barnier 2004). This kind of European "yes, but" line commonly acknowledges

adherence to democracy promotion with the same kind of passive resignation with which the elderly man might rue the inevitability of technological progress.

Since 2006–2007, both American and European democracy promotion efforts in the Middle East have been rolled back somewhat (this will be discussed in detail in the next section); simultaneously, diplomatic efforts have been made on both sides to mitigate some of the damage done to transatlantic relations by the tensions of 2003–05. Gerhard Schröder's replacement by Angela Merkel and then Nicolas Sarkozy's arrival at the Elysée have improved the tone of German and French relations with Washington – although they have not, of course, removed all tensions. Diplomats insist that low-level coordination has improved, including through information-sharing consultations on Middle Eastern democracy promotion policies.

Thus, confrontation is less emphasized in the relationship, and policy coordination has somewhat improved – but differences remain. During his April 2005 visit to Brussels, President Bush suggested that, for Europe, 9/11 had represented a “passing moment” and not a trigger for the kind of fundamental change visited upon US foreign policy. European policymakers, for their part, still routinely profess concern at the United States' tendency to overplay the link between 9/11 and the imperative of democracy promotion in the Middle East. Some commentators still argue with breathtaking surety that Europeans are doing nothing to back up the United States in expanding freedom in the world, and that “Never has America been more alone in spreading democracy's promise” (Ignatieff 2005).

Despite plentiful EU rhetoric asserting the need to move beyond the disagreements over Iraq, in practice most European governments continue to see, and speak about, the Middle Eastern democracy agenda through the lens of broader US policy failures in the Middle East. If many European policymakers and commentators have come fundamentally to question the normative legitimacy of democracy promotion it is because they have come to conflate the latter with US actions in Iraq. Compounding this “Iraq spill-over,” the well-known European line persists that Washington's imbalanced position on the Arab–Israeli conflict complicates other areas of policy in the Middle East. The European conviction remains strong that support for democratic reform is unlikely to prove fruitful until the Arab–Israeli peace process makes significant progress, with more even-handed US backing. In short, transatlantic differences on broader issues continue to infect attitudes toward the formally shared agenda of democracy promotion.

## Shared commitment and convergent agendas

Notwithstanding these oft-stated tensions and diplomatic differences, however, notable convergence between American and European approaches can be detected. Five aspects of transatlantic congruence are evident.

The **first** similarity in the American and European approaches to Middle Eastern reform is the yawning gap between rhetoric and policy evident on both sides of the Atlantic. Despite their shared recognition of the relationship between democratic growth and Western security interests, neither American nor European policies toward Arab autocracies shifted radically to reflect a new commitment to democracy promotion in the wake of 9/11. A steady stream of European politicians and writers have railed against the emergence of a US crusade forcefully to impose democracy upon the Middle East, but in most parts of the region the United States shares with European governments a striking forbearance in the face of autocratic abuses by friendly Arab states.

Egypt is a case in point. The United States government, for example, initially laid down some important markers on political reform for its most important Arab ally. In 2002, the Bush Administration threatened to withhold an anticipated aid request to Congress unless the government of Egypt released a democracy activist and dual US-Egyptian citizen, Saad Eddin Ibrahim. In 2005, Secretary of State Rice cancelled a planned visit to Egypt when the government there arrested a prominent opposition politician, Ayman Nour. When Mubarak announced in February 2005 that he would allow opposition parties to run candidates against him in the presidential elections later that year, President Bush called Mubarak to demand that international monitors be allowed to observe the balloting, and that opposition parties be given equal access to the national media. Secretary Rice gave a confrontational speech on political freedom to a Cairo audience that summer. But the United States was slow to raise objections when Nour was rearrested and convicted in a sham trial, or when Egyptian security forces beat demonstrators or barred voters from polls during parliamentary elections later in 2005.

The European Union similarly talked of the importance of building on the 2005 changes to press Egypt towards democratization. But European criticism of President Mubarak has also been lacking as Egypt has slid back toward something resembling a police state since 2006 (the sole exception is the Danish government, which finally decided to phase out assistance to Egypt due to a lack of momentum in the political reform process.) In 2007, despite Egypt's political regression, the

European Union concluded a new ENP action plan with Egypt, including additional aid allocations and trade access, and offered a separate energy accord. Egypt still receives large aid allocations from Germany (€110 million for 2005), France (€80 million) and Spain (€30 million). Spain recently signed a bilateral cooperation treaty with Egypt offering €250 million in aid (tied to contracts with Spanish companies) (*El País* 2008).

In Egypt both the EU and the US have funded projects on the internal management and efficiency of NGOs, without making much of an issue of laws restricting civil society's freedom to operate or even to accept foreign funds (Dunne 2005). In March 2008, Condoleezza Rice quietly waived congressionally imposed human rights restrictions placed on American military aid to Egypt. This action was in striking, but almost unnoted, contrast to her 2005 statement in Cairo that "For sixty years, my country, the United States, pursued stability at the expense of democracy in this region ... and we achieved neither. Now, we are taking a different course" (Rice 2005).

US and EU relations with other Arab countries reveal similar inconsistency. After the Algerian presidential elections of 2004, in which President Bouteflika was re-elected with an improbably high vote of over 80 percent, both the United States and French governments offered explicit endorsements of Bouteflika (*Le Monde* 2004) – this as the latter banned the US-based NGO, Freedom House, from operating in Algeria. Both the United States and France have provided Bouteflika and the Algerian armed forces with generous new security cooperation in recent years – in part to hedge against the emergence of a new terrorist threat from the former Algerian Islamic Group, now renamed al-Qaeda of the Islamic Maghreb. The EU has offered Algeria a new energy partnership without the democracy stipulations of a Neighbourhood Action Plan (which an energy-emboldened Algeria has refused to sign). American governance-related assistance to Algeria has largely focused on assisting the latter's efforts to join the World Trade Organization and has side-stepped questions of internal political freedom and diversity.

Saudi Arabia and the Gulf present similar dynamics. American criticism of human rights abuses in Saudi Arabia increased after 9/11, and the State Department for the first time named Saudi Arabia as a "country of particular concern" in its 2004 Religious Freedom Report (*Arab Reform Bulletin* 2004). A new, bilateral "Strategic Dialogue" was launched to deal with rising tensions, and it included a working group on "human development" at which human rights concerns were regularly raised. However, US pressure diminished in the wake of several

terrorist attacks within Saudi Arabia targeting foreigners, especially one in December 2004 against the US consulate in Jeddah. In May 2005, three reformists were given long prison sentences, just one week after Crown Prince Abdullah's meeting with President Bush. In 2006 and 2007, the US, UK, and France signed similar, significant arms deals with various Gulf states, including Saudi Arabia. In Yemen, both the United States and the European Union increased the scale of their security support, even as President Ali Abdullah Saleh strengthened his 15-year grip on power (International Crisis Group 2003).

Morocco is cited regularly by both Washington and Brussels as a model for Arab political reform, and has been rewarded for its limited reforms with significant increases in aid from both Europe and the United States, including in 2007 through a €28 million reward from the European Commission's Governance Facility. France, Spain, Italy, and Germany have all notably increased allocations to Morocco from 2006. American economic assistance increased by 50 percent over the past three years, and the US government also bent the governance criteria set by its Millennium Challenge Corporation in order to award Morocco eligibility for additional funds through that agency. While Morocco passed important social legislation improving women's legal status, and carried out reasonably fair democratic elections in September 2007, the regime remains a liberalized autocracy, in which all major policy decisions emanate from the palace and in which basic political freedoms remain insecure. Clampdowns on press activity in advance of the 2007 elections were a particular concern, as was the abysmally low turnout rate in the elections themselves, suggesting as they did that Moroccan citizens had abandoned the democratic process as a means to affect meaningful policy change. But the European Union and United States met the elections with congratulations. Perplexingly, the Spanish Foreign Minister even saw the low turnout as a positive sign that the elections had been truly free (Kausch 2008).

Indeed, while both the EU and US have promised to reward democracy by allocating aid and trade benefits to those states most willing to implement reform, in practice the correlation between political reform and financial rewards has remained limited. Beyond the Bush Administration's increased aid to Yemen and Morocco, and its refusal to implement Congressionally imposed conditionality on aid to Egypt, there is also the trajectory of Washington's Middle East Free Trade Area Initiative, which promoted bilateral trade agreements. FTA partners added during the Bush years include Bahrain, Oman, and Morocco, and negotiations are formally open (though stalled) with the United Arab



Emirates. With the possible exception of Morocco, none of these states can claim major strides in political reform in recent years. Similarly, many sizeable European aid increases have gone to decidedly non-democratizing states. In 2004–05, the Commission provided Syria with €100 million, Egypt with €360 million, and Tunisia with €185 million. French aid to Syria has increased year by year since 2002, reaching €26 million in 2005–06. Italy has allocated increased funds to Syria, Tunisia, and Egypt since 2005. Spanish aid to Tunisia has increased, including through the direct provision of new security equipment. Moreover, the European Neighbourhood Policy – supposedly predicated upon the incentives logic – excludes from the “carrots” it offers some of the rewards most sought by Arab governments, including free access to the EU market for agricultural goods and free movement of workers. Incentives-based democratic conditionality is not part of the new Union for the Mediterranean, which incorporates the Barcelona Process from the summer of 2008.

Thus, despite clear commitments to democracy promotion from both Washington and Brussels, and despite the joint and separate establishment of new incentives for democratizing countries, both the European Union and the United States have exhibited a vast gap between rhetoric and policy. After 2006, however, this gap narrowed – because developments in the region led both Washington and Brussels to backtrack on their commitments to democracy promotion in the Middle East. Indeed, a **second** similarity evident in European and US policy is that they have, in practice, followed a very similar evolutionary trajectory: strong commitments to democracy promotion in the Middle East after the attacks of 9/11 gave way to far greater caution in the period since 2006.

The general American and European commitments to intensify support for democratic change in the Middle East after 9/11 were justified in strikingly similar terms. The US National Security Strategy introduced in 2002 made an explicit link between democracy promotion and security interests (US State Department 2002); the European Security Strategy agreed in December 2003 was predicated on the assertion that “The best protection for our security is a world of well governed democratic states” (Council of the European Union 2003). The American Middle East Partnership Initiative (MEPI) was likewise matched by a new reform-oriented European Strategic Partnership with the Mediterranean and Middle East, adopted in June 2004, and the inception of the European Neighbourhood Policy that accorded democracy promotion a more prominent role in relations with Maghreb and Mashrek states.

After the tensions surrounding the BMENA initiative, joint transatlantic commitments to democracy promotion continued. The EU-US summit held in Washington in June 2005 issued a declaration expressing joint support for democratic activists and aid programs designed “to sustain democracy in all [its] dimensions” (Council of the European Union 2005). Choosing the United States as the destination of his first official trip after his appointment, then-French Foreign Minister Philippe Doust-Blazy pronounced in Washington that France was committed to working with the United States to encourage the spread of democracy: “Every time that human rights and the rule of law are in danger, we will be there” (Doust-Blazy 2005).

Neither the United States nor the European Union lived up to these commitments fully, as we noted earlier. But even the language of support for freedom began to fade in 2006, following several negative political developments in the region which led both American and European leaders to begin to question whether democratization in the Middle East would indeed bring the changes to regional politics that they sought, and whether they could afford the costs of change. First, in the spring of 2005, the first Lebanese parliamentary elections after Syria’s withdrawal brought Hizballah more seats and stronger government representation. That fall, the Egyptian Muslim Brotherhood made a strong showing in parliamentary elections, winning 85 seats in the 454-seat lower house. Finally, in January 2006, Iraqis voted in their first post-Saddam parliamentary elections and handed victory to sectarian, militia-backed parties; and Palestinians handed a resounding victory to the radical movement Hamas.

The Palestinian elections proved a turning point in US government efforts on democracy promotion in the Middle East. The Bush Administration, having placed extraordinary emphasis on elections in Lebanon, Iraq, and elsewhere, was confronted with an election outcome deleterious to a major strategic interest – Israeli security – and a major foreign policy goal – a two-state solution to the Israeli-Palestinian conflict. The European Union, having invested over half a billion euros into the Palestinian Authority over the previous five years, was similarly flummoxed and similarly dismayed by the results of the balloting. While the two parties coordinated closely to produce a unified policy toward the new Hamas government, these results prompted fierce second-guessing in both Brussels and Washington about the wisdom of seeking to advance Arab democracy.

A **third** similarity is evident in the way that American and European democracy assistance funding for the Middle East has evolved, and on

what the money has been spent. New funding initiatives have been introduced by both US and European donors that allocate additional resources for democracy assistance. MEPI made available over \$507 million for the period 2002–08; other US democracy assistance – through the State Department’s Bureau of Democracy, Human Rights and Labor and through the US Agency for International Development – added about another \$350 million.<sup>1</sup> Beginning in 2006, however, funding for MEPI began to decline as the Administration’s enthusiasm began to flag and Congress remained skeptical of the program’s value. The only other significant alteration in US democracy spending in the region was when Congress, beginning in Fiscal Year 2005, compelled USAID to spend \$50 million of its funds for Egypt on “democracy and governance” projects determined without Egyptian government approval.

While several European governments have also increased such reform and governance funding, overall, on both sides of the Atlantic, the level of such funding has remained modest. In terms of political aid, the Middle East remains conspicuously under-funded by European donors compared to other regions (Youngs 2006). And American democracy assistance in the region in the first five years after 9/11 amounted to 80 cents per capita, as compared to the \$14.60 spent per capita in the former Soviet Union during the first five years of the Freedom Support Act (Wittes and Yerkes 2006: 11). Democracy assistance – including amounts targeted to government reform as well as to civil society – is also minuscule relative to official government-to-government aid. EIDHR allocations to Morocco have hovered around only €1 million a year, while the share of overall European Commission funds going to governance projects remains under 5 percent, even after an increase in 2007. France is Morocco’s largest donor but gives virtually none of its assistance to the country for democracy, while for 2006 Spain gave only 2 percent of its aid to Morocco for a very broadly defined “democratic governance, citizen participation and institutional development” category (Kausch 2008). On the American side, fully 38 percent of MEPI programs from 2002 to 2005 benefited Arab government agencies or government participants; only 15 percent were targeted to NGOs. And US funding for democracy and governance in the Middle East is, like European democracy aid, dwarfed by other types of official development aid – and dwarfed even more by US military aid in countries like Egypt.

The US and European donors also fund a similar range of democracy assistance projects, mirroring a relatively standard template of activity deployed across different recipient regions. One common assertion is

that the US supports bottom-up civil society-led change, in sharp contrast to the EU's support for top-down reform (Kopstein 2006: 85–98; Huber 2008: 43–62). But in practice, both actors have pursued a mix of these two approaches in recent years.

In the Middle East, both actors have funded a mixture of civil society projects and state-institutional reform. The balance between these may be slightly different in US and European aid profiles, but such variation is less significant than the similarities. The explicitly political reform projects tend to focus on the same “standard menu” of party-building, campaign skills, and technical training for parliamentarians and other political office-holders. Thus, not only do European and American programs not present competing “theories of change”; in many cases, they are actually duplicative.

Reviews of US democracy assistance activities in the Middle East reveal the pre-eminence of the same type of priorities as in the EU funding profile: training on human rights standards for coastguard and border security forces; encouraging links between local governments and “citizen groups”; training municipal-level officials in public administration; and combating child labor (US Department of State 2005). USAID has funded an array of good governance, service delivery, women's rights, and “civic education” projects that closely mirror European projects (Wittes and Yerkes 2006). Indeed, the similarities have led some experts to criticize American democracy assistance programs in the region for progressing little beyond the cautious gradualism of the 1990s (Wittes 2004; Carothers and Ottaway 2004).

In some places, the range of US political aid work has been broader than that of European donors; for instance in the Gulf, US funding has encompassed projects on political participation, the rule of law, press freedom, judicial reform, civil society, labor rights and political parties, while European projects have been slightly more narrowly focused on women's rights, economic governance and media capacities (US Department of State 2005). But both Europe and the United States hesitate to undertake or sponsor projects that do not meet with local government approval, and will only provide funding to local organizations as allowed by local laws – a constraint Arab governments are tightening with alacrity (National Endowment for Democracy 2006).

A **fourth** similarity is that neither the European Union nor the United States have provided funds directly to any Islamist organizations; although of the quasi-autonomous party foundations, the American NDI and IRI engage moderate Islamist parties in states such as Morocco and Yemen in a slightly more structured way than their European

counterparts. American officials occasionally meet with Egyptian parliamentarians who, while formally independents, are members of the Muslim Brotherhood. A senior US official clarified that the United States was willing to talk only to those Islamists that renounced violence and were already represented in parliaments – of course excluding a large swathe of banned movements and parties (*Al-Hayat* 2005). And Washington's reaction to the election of Hamas (a reaction it was, as noted, joined in by the European Union) prompted Islamists in the region to dismiss the United States as inimically hostile to their free participation in politics. In this sense, the Hamas election hardened and reinforced assumptions in Washington, Brussels, and in the region stemming from the 1991 Algerian military coup – assumptions regarding the inevitability of Western double-standards toward Arab democracy.

In dealings with some states, the EU has been even more circumspect than the US, leaving the impression among Islamist opposition groups that “there is no place for Islamists” in initiatives such as the ENP and that the EU is more “anti-Islam than pro-democracy.” Detailed interview material shows that over 2006 and 2007 the European Union increasingly lost credibility with Islamist organizations for failing to follow through on promises to support democratization (Emerson and Youngs 2007).

A **fifth** arena of congruence may be the most significant going forward. Rhetorical hair-splitting and political positioning aside, transatlantic coordination in practical policy implementation has been significant in regard to a number of individual Middle Eastern states. One notable instance of such transatlantic cooperation and convergence that has attracted little attention is Libya. Here, a united front between London and Washington led to agreement with Libya in December 2003 that the North African country would abandon its WMD programs and formally renounce terrorism in a letter to the United Nations. Britain's main role was in mediating with Qadafi over the prospect of normalizing relations with Washington. Anglo–American coordination lasted beyond the WMD agreement, with a US–UK–Libyan forum being established to take forward cooperation on Libyan defense reform (Dunne 2004). While this caused some consternation among other EU states, rather smoothly and undramatically this longstanding source of major transatlantic tension dissipated, and US and EU strategies have since converged on a basic commonality of approach. Since 2006, both the United States and European governments have rushed to conclude new energy deals with Libya, overlooking human rights issues. The EU collectively, as well as states such as France on an individual basis, moved

to offer Libya a new trade and cooperation agreement after the release in the summer of 2007 of the Bulgarian nurses detained in Libyan jails, without any more systematic improvements in human or political rights. Thus, in the Libyan case, close coordination enabled both parties to enforce strong conditionality in relations – but not conditionality directed toward democracy promotion.

But even more striking, perhaps, has been the cooperation between France and the United States in Lebanon, where democracy has been at least some large part of the equation. Not only did Paris and Washington jointly lead the way on UNSC Resolution 1559 in the fall of 2004, but after Syrian troops withdrew in May 2005, the French government pointed to new coordination between France, Britain, and the United States on removing Syria's "residual presence" in Lebanon (Quai d'Orsay statement 2005). Paris took the lead in pressing the caretaker Lebanese government to issue an invitation to EU election observers, and the decision to send a European team was coordinated with the US administration, who as a consequence agreed to stand aside. After the elections, both France and the United States were critical of the share of power accorded pro-Syrian forces, and each state contributed funds and activities in an effort to strengthen Lebanese sovereignty and deepen democratic reform. Differences have emerged over the years since, over America's interest in using the Lebanese situation to pressure Syria, and over the Sarkozy Administration's interest in mediating between different Lebanese factions, including through engagement with Hezbollah. But the significance of the United States and France working so closely together on a pro-democracy agenda in a Middle Eastern country should not be understated. One concrete outcome is the improved vigor and effectiveness of the post-2006 UNIFIL deployment in southern Lebanon.

The foregoing recitation of similarities is not intended to deny the differences in policy on the two sides of the Atlantic, but rather to correct assumptions that the US and EU have been drawn to completely opposite poles in their approaches to democracy. Where those differences exist, they often do not cut across a simple Europe–United States division. A range of views and approaches towards democracy promotion in the Middle East can be detected on the European and North American continents, but it is not always the Atlantic that divides. Within the Bush Administration, proponents and opponents of the Freedom Agenda did battle within the halls of the State Department and White House, often yielding widely varying statements on democracy depending on which officials were visiting the region. Within Europe, a variety of views is also

evident, although some distinctively European logic has emerged. Many of the most significant divisions, as in Washington, are between different ministries. The approaches pursued by different European development ministries, for instance, have more in common with USAID than with other agencies of their respective national administrations. Some Europeans acknowledge that on the ground within the Middle East, discussions on funding and lobbying strategies often produce unity around a “like-minded” group incorporating select European states, the US, Canada, and Norway, far more than at an EU level. Revealingly, most European donors continue to have a better knowledge of US policies than of the initiatives of their European partners.

Intra-EU differences indicate that the paucity of overall coordination across the Atlantic is not always qualitatively different from the limited degree of coordination within Europe. The distinctions in attitude toward Arab democracy between northern and southern European states is perhaps most obvious. In early 2008, serious divisions appeared within the European Union over President Sarkozy’s proposal for a new Mediterranean Union, one that to the consternation of many member states would exclude any mention of democracy promotion.

### **Nuances and strategic competition**

While American and European policies on democracy promotion in the Middle East exhibit significant commonalities in practice, then, differences remain, especially in rhetoric. How significant are these divergences in language and expressed intent? Certainly American references to “spreading freedom” and “ending tyranny” contrast with the tendency of European Union documents and policy statements to couch aims in terms of “governance” and “modernization.” While EU diplomats protest their desire for greater transatlantic cooperation, senior US officials’ advocacy of the “freedom agenda” grate on even some sympathetic European ears (*The Economist* 2005). One of the most senior European diplomats in charge of the Barcelona process insists: “we don’t talk in terms of democracy but societal adjustment.” Another high-ranking Brussels official opines that the EU does not and should not “beat the drum of democracy” as much as the United States, as democratic values are integrally part of Europe’s preferred reference to “good governance.”

Over time, however, some European rhetoric has become more “less ambiguous.” While it is true that the US has often tended to see

democracy in a more strategic light – as a means of bringing to power more “friendly” regimes – European politicians have also come to make the link between political reform and security interests. British Prime Minister Tony Blair talked constantly in terms of the desire to spread “our values.” In his centerpiece 2004 foreign policy speech, Blair asserted that: “lasting security against fanatics and terrorists cannot be provided by conventional military force but requires a commitment to democracy, freedom and justice” (Mansion House speech 2004). Blair’s Foreign Secretary, Jack Straw, spoke of the “long term goal of wider freedom,” calling for “a renewed and re-invigorated alliance for freedom between Europe and the United States” in the Middle East (Straw 2005). One of David Miliband’s first major speeches as UK Foreign Secretary in March 2008 struck a similar tone in advocating greater focus on democracy promotion. European Commission statements and documents now talk more directly about supporting “democracy.” The European Union does appear at least in some measure to have overcome its erstwhile aversion to “the D word.”

In some specific cases, the United States has been more outspoken in criticizing authoritarian regimes than the Europeans. The European Union’s reaction to Ayman Nour’s imprisonment in Egypt was more qualified than the American response – which included the cancellation of a planned visit by Condoleezza Rice to the country. In another case, Washington attempted to coordinate a tough transatlantic response to local political events, but failed in the face of parochial concerns among the southern EU states. The triggering event was Tunisian President Bin Ali’s highly engineered victory in the October 2004 elections. The southern EU states, having spent many years cultivating Tunisia as a success story of economic reform, acquiesced only to a mild statement. The detention of a prominent Libyan human rights activist early in 2004 likewise occasioned some criticism from the United States, but little from the European Union; the campaigner was released (temporarily) in March after appeals from members of the US Congress, but without visible European governmental pressure.

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There is still a tendency on the part of European diplomats to argue that their greater caution derives from their better understanding of the regional landscape, while America’s boldness derives from a degree of naiveté. In the words of one European diplomat, “we are inside the region,” and thus have a greater appreciation both of its potential and



of the obstacles to reform. While US policy has in practice been consistent with this gradualist approach and similarly averse to punitive measures, its willingness to adopt a harsh tone in public statements on occasion is a striking distinction.

Another notable difference is between the European willingness to engage with, and the American preference to isolate, unpalatable regional actors. For example, the European Union negotiated a new association agreement with Syria. Even though the agreement is, at the time of writing, not implemented – due to Syria’s alleged involvement in the Hariri killing in Lebanon, not to democratic shortfalls – the European Union still argues that reform in Syria can best be encouraged through critical engagement. European funding flows from several bilateral donors and from both MEDA and EIDHR budgets, covering a range of priorities including decentralization, administrative and judicial reform, financial sector governance, business development, social support programs, women’s rights, and the regularizing of dialogue between the government and NGOs. Key to the European approach is the aim of backing reformists *within* government, through measures aimed at strengthening the presidential office and modernizing ministries. European governments have declined to back exiled opposition groups, conspicuously failing, for example, to support 2006 alliance-building efforts among various Syrian groups in London. By contrast, the United States under President Bush worked resolutely to isolate Syria, subjecting it to a range of US sanctions. American democracy assistance in Syria is entirely directed to nongovernmental activity, unlike the technical training and other “good governance” assistance it provides elsewhere in the region. President Bush also met more than once with members of Syrian exile opposition groups, including an opposition coalition that includes the exiled head of the Syrian Muslim Brotherhood.

Policy toward Iran appears to be one of the most emblematic cases of the transatlantic divide between engagement and isolation. The overarching European philosophy was to support reformers linked to former president Mohammed Khatami against hardliners; the Bush Administration, for its part, increasingly doubted that this cleavage within the clerical establishment was a determinant factor in the future of Iranian politics. The European Union appeared willing to sacrifice a focus on internal reform, as Khatami’s position weakened, in order to keep alive talks on the issue of Iran’s nuclear program; Bush Administration officials argued that it was precisely because even reformists supported Iran’s nuclear program that systemic regime change should be pushed. Secretary of State Condoleezza Rice labeled

Iran an “outpost of tyranny,” along with a select number of the world’s most resolutely autocratic states; Europeans insisted that Iran was one of those Middle Eastern states where a degree of genuine democratic space did exist and could be harnessed to support an internally generated momentum of reform. While small-scale European aid projects had been undertaken since the late 1990s, particularly in the area of judicial reform, at the end of 2004 the US released its first batch of funding for Iran-related democracy and human rights projects. While most of the projects were not publicly disclosed, the funding was clearly designed to support activists who wanted fundamental regime change (US Department of State 2005).

Ironically, while significant differences remained on Iran, the tenure of Mahmoud Ahmedinejad as Iranian president brought about some degree of transatlantic convergence. By early 2005, the European Union finally succeeded in convincing the United States to support an incentives-based approach, acquiring Washington’s endorsement for European talks with Iran and Washington’s agreement to offer Iran WTO accession as a reward for cooperation. But this move came too late to affect Iran’s internal politics, and a conservative-led government returned after the heavily manipulated June 2005 elections – of which both European and US officials were strongly critical. After the elections, even France and Italy were openly despairing of reformist prospects.

Against this background, the campaign led by a group of US Congressmen to legalize the controversial opposition group, the People’s Mujahideen (MKO), found echoes in the European Parliament’s decision to offer a platform to the MKO leader, Mariam Rajavi. Overall, however, much transatlantic debate on Iran has become moot, as Iranian intransigence on both the nuclear program and regional security issues has engendered increasing concerns on both sides of the Atlantic.

A competitive impulse also explains some of the transatlantic policy divergence. In those cases where European policies have become more assertive in promoting reform, this is to some degree driven by a form of benign competition with the United States, rather than any desire to harmonize policies. The EU’s Strategic Partnership with the Mediterranean and Middle East was based on a Franco-German proposal that was forwarded primarily as a response to the original American GMEI proposal (Koch 2005: 226). Having staked out their claims to more intimate local knowledge and a more longstanding, committed local presence, Europeans could not afford to sit on the sidelines as America plunged into the fray. Diplomats acknowledged that new

French-funded civil society initiatives, for example, were part of Paris's strategy to retain influence in response to a US-led focus on civil society within the BMENA; Paris also sought greater engagement so as to underscore the role of states in reform processes (Fernández and Youngs 2005; see chapter by Schmid).

To some extent, this pre-emptive impulse on the part of France and other European states was conditioned by their experience of the transition to democracy in Eastern Europe. There, America had been at the forefront of the push for democratization, with Europe at least initially providing more of a demonstration effect than any direct assistance. The European Union's (tremendously powerful) positive conditionality and structured engagement kicked in relatively slowly after the fall of the Berlin Wall. This dynamic left many local democracy activists feeling that, in the crucial moment of political change, only America was backing them effectively. If politics was beginning to change in the Middle East, European governments now reasoned, they needed to position themselves to avoid a repeat occurrence. Thus, when asked what he considered to be the main difference between American and European approaches to political reform in the Middle East, one senior Commission official opined: "the whole US strategy is based on the day after [a change in regime]; we focus on the process and still have no policy for the day after."

Another noteworthy divergence is in how the Middle East region is conceived by American and European policymakers – and how these different conceptions reflect different interests in promoting democracy. The EU's approach is structured most substantively as a "Mediterranean" policy, and is less concerned with connections between political development in the Mediterranean Rim and developments in the broader Middle East. This reflects the southern EU states' core concern with immigration and the stability of neighboring states; indeed, their concerns are what drove the Barcelona Process from its beginnings, and thus Europe's original commitment to reform in the Middle East derives from self-interest as much as America's does. The Europeans' "Mediterranean" framework has no organizational counterpart in American diplomacy, a fact which militates in a very practical way against coordination (Lesser 2004). The United States, with its war-on-terrorism lens for the region, conceives of reform as necessary across a "broader Middle East" that stretches from Morocco across to Afghanistan and Pakistan. Any country where political and economic stagnation reign and radical Islamist ideas are present is a necessary target of American pro-reform policy.

But, somewhat hidden from view by Iraq-related tensions, internal European differences over a possible remolding of its Mediterranean-focused structure have emerged. While some member states have pressed the idea of bringing the EMP, GCC states, Iraq, Iran, and Yemen together into a single strategic framework, others perceive this to be too indulgent of American visions. Some have argued that the United States' insistence on developing the Broader Middle East Initiative reinforced a reluctance on the part of some EU member states productively to debate new strategy in the Gulf on its own terms (Aliboni 2005). Spain has been the state most insistent on the European Union retaining a primarily Mediterranean policy. France has been pivotal on this question: Paris backed the notion of a new EU Strategic Partnership with states "east of Jordan," while also sympathizing with concerns over this morphing into an unduly "American approach." Still, the European debate over how to conceptualize the region it is engaged with is occurring more with reference to American preferences than on its own merits. As in the immediate aftermath of the Iraq War, positioning on the transatlantic divide is a powerful motivator for politicians in intra-European debates.

The balance between bilateral and regional approaches represents another transatlantic difference. Many EU member states have been openly critical of the way American diplomacy has prioritized relations with individual states, arguing that the United States' approach undermines the European Union's efforts to encourage political change through "region-building." American officials, frustrated with creeping attempts at regional integration, prefer to provoke a competitive dynamic among Arab states for preferential relations with the United States, and use that dynamic as leverage for new commitments to reform. This divergence has been a particularly divisive issue in the Gulf, where US trade policy has emerged as an obstacle to further regional integration. After the signing of a US–Bahrain Free Trade Agreement in September 2004, Saudi Arabia threatened to impose new tariffs against Bahrain in response; this undermined GCC unity, upon which the whole essence of the EU's strategic approach in the Gulf had been predicated for over a decade. In North Africa, the dynamics have been complex: European officials complain that the United States' preferential trade and aid cooperation with Morocco disrupts the Barcelona process; but the European Union has itself moved towards a more bilateral focus through new Neighbourhood Action Plans. In one instance, however, the United States seemed to be using trade connections with Arab states as a pawn in transatlantic politics, when Washington stalled

its plan for free trade negotiations with Egypt after the latter refused to back Washington's position in an agricultural trade dispute with the European Union. US officials also cited backsliding on democracy as a reason for abandoning the free-trade talks.

One advantage Europeans cite for the benefits of their approach is that the EU has built up a far broader and deeper range of economic and social engagement in the Middle East. This, they argue, enables European democracy promotion policy to draw on embedded networks of cooperation and development. And indeed, the Bush Administration showed signs of having been influenced by European policies in this regard when it introduced plans to create a US–Middle East free trade area by 2013, explicitly linking economic and political conditionality. The US has signed bilateral free trade agreements with – in addition to Bahrain – Jordan, Israel, Oman, and Morocco. US assistance, catalyzed by MEPI, is now allocated to a far wider variety of economic, social, and political reform projects than in prior eras. While the basic difference persists in the range of structured cooperation offered respectively by the EU and US across the Maghreb and Mashrek, US policy has thus undergone a degree of “Barcelonification.”

## **Conclusion**

Significant transatlantic differences on Middle Eastern democracy promotion remain and in some cases have widened. Yet similarities in European and US approaches are far from negligible. Most fundamentally, both Europe and the United States have failed to match their actual policies toward autocratic Arab governments with their declared aims and intentions. This paper has demonstrated that many differences are more subtle than is evident from the sweeping generalizations commonly issued – from both sides of the Atlantic – over the respective nature of American and European political reform strategies in the Middle East. Europeans may have been conditioned by the Iraq experience to try and distance themselves from US efforts to “impose” democracy on the broader Middle East, when (beyond Iraq) evidence is thin that American policy is in fact bent toward this goal. And many in the US still see the European Union as chronically divided and drawn merely to uncritical engagement with authoritarian regimes, when the embeddedness of European influence is increasingly pertinent to the US's own declared aim fundamentally to remold the politics of the Middle East.

Each actor has reacted to the other, with a complex mix of strategic competition and calculations of convergent interest. Strategically

competitive reaction on Europe's part has sometimes diminished, but in other contexts enhanced, a focus on democracy promotion. Ironically, the very desire to preserve strategic relevance and thus distinctiveness in some modest ways has pushed Europe towards US policy – partly in the apparent European judgment that the United States might just be moving with the “tide of history.” European policy has been more reactive to the evolution of US initiatives than vice versa; arguably, a paradox when in many parts of the Middle East the EU enjoys a stronger political, social, and economic presence. On occasion the EU and US – whether willfully or as a result of poor coordination – have undercut each other's efforts. But complementarity has not been completely absent: if a more outspoken US commitment on democracy has helped provoke new debate in the Middle East, Europe's structured frameworks of cooperation have had some (albeit unspectacular) impact on underlying normative reference points.

Challenges to greater policy coordination and effectiveness derive not only – or even primarily – from the need to repair the damage done by the coalition invasion of Iraq. They also reflect the more prosaic fact that the EU and US come at the issue of Middle East political reform from different angles. The US is still struggling to fashion a breadth and depth of engagement with the Middle East that would invest its views on democracy with perceived legitimacy and credibility. The EU, for its part, needs to demonstrate that its already-existing forms of multi-faceted engagement can translate into a more tangible contribution to democratization. In efforts to soothe the wounds of post-Iraq transatlantic crisis, it has commonly been suggested that the US and EU need each other; that the US lacks the reach and credibility, while the EU lacks the punch. The analysis provided in this paper suggests that, while a unified transatlantic policy in the Middle East might remain unattainable and probably even undesirable, the interaction between US and European policies – even in their mutual suspicion and competition – is constructive, and renders a degree of improved coordination not an entirely fanciful proposition.

## Note

1. For an overview of US democracy assistance to the Middle East, see Wittes, T. and S. Yerkes (2006) *What Price Freedom? Assessing the Bush Administration's Freedom Agenda*, Saban Center Analysis Paper #10 available at [www.brookings.edu/~media/Files/rc/papers/2006/09middleeast\\_wittes/wittes20060901.pdf](http://www.brookings.edu/~media/Files/rc/papers/2006/09middleeast_wittes/wittes20060901.pdf).

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# 5

## Comparing EU and US Democracy Promotion in the Mediterranean and the Newly Independent States

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'Think globally, act locally.' Considering the recent trend to open the 'black box' of external democracy promotion, this could be the new slogan for international actors engaged in promoting democracy in different parts of the world. Both practitioners and scholars alike have begun to consider different country contexts in which external democracy promotion can take place (cf. European Commission 2003b, 2006g; McFaul, Magen and Stoner-Weiss 2008; White House 2006). They are especially interested in knowing the chances of success of different strategies. A first step towards a comprehensive impact assessment is to investigate the link between domestic, country-specific conditions and international democracy promotion efforts. So, how do democracy promotion efforts of external actors relate to the varying political situations on the ground? In this chapter, we systematically compare democracy promotion efforts of the United States (US) and the European Union (EU) across countries in the Mediterranean and the post-Soviet space since the early 1990s. Beyond a comparison between the two 'powers' (cf. Kagan 2003), our analysis seeks to capture if and how their efforts vary according to the specific political settings of Morocco, Tunisia, Belarus and Ukraine.

Variation in democracy promotion efforts can be found in their timing, the resources deployed, and especially in the use of different instruments. These are characterized by the logics of influence they draw on, ranging from coercion to persuasion and from incentives to capacity-building, as well as the different pathways they use (see also introductory chapter, this volume, by Magen and McFaul). Thus, an actor can pursue very different approaches to democracy

promotion, depending on his choice, design and application of instruments. Considering the different logics of influence and pathways, two ideal types of approaches can be identified: On the one hand, external actors can pursue a cooperative approach, trying to engage the target regime in processes of persuasion and capacity-building. They refrain from potentially contentious measures such as sanctions or assisting oppositional non-state actors. Instead of openly criticizing democratic shortcomings, they reward progress of cooperation and reform. On the other hand, international actors can choose a conflictual approach, pushing more openly and harshly for substantial reform. Instead of extensive cooperation with the regime, they impose sanctions, pursue naming and shaming strategies, and support dissident non-state actors. An extreme case is the use of coercive measures to force a regime change.

We assume that external actors adapt their democracy promotion activities to the situation they find in a target country for two reasons. First, an actor might consider the different degrees and areas of 'need' for democratic reform when deciding on the intensity and content of his efforts. Second, different country contexts provide a certain opportunity structure to external actors for the use of different instruments (cf. Jünemann and Knodt 2006; Warkotsch 2008). Thus, we expect that the context of democratic consolidation is conducive to a more cooperative approach, whereas openly authoritarian regimes do not leave much room for cooperation and are more likely to provoke a conflictual approach. However, there is a vast 'democratic grey zone' (Bendel, Croissant and Rüb 2002) that can challenge the actor's choice of strategy. In times when democracy is the undisputed ideal, 'semi-authoritarian' regimes represent the majority of cases for external democracy promotion in the twenty-first century (Carothers 2000; Ottaway 2003). The mixture of democratic and authoritarian features is often in sharp contradiction with the regime's official claim to democracy and it is usually difficult to determine the exact nature and dynamics of the regime (cf. Carothers 2002; Diamond 2002).

In order to systematically investigate if our external actors adapt their strategies to the country context and how they cope with this challenge of semi-authoritarian regimes, we have chosen our cases based on their different political backgrounds. The regime types and their respective democratic performance do not only vary between countries, but also over time. Figure 5.1 illustrates these differences over time, taking the Freedom House Political Rights and Civil Liberties indices as provisional indicators.

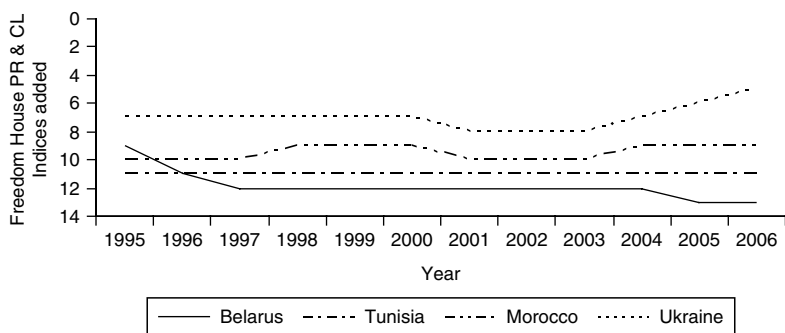


Figure 5.1 Combined Freedom in the World index, 1995–2006

Source: Freedom House (2009): Freedom in the World Comparative and Historical Data, <http://www.freedomhouse.org/template.cfm?page=439>, date accessed 15 April 2009.

By 2006, Ukraine and Belarus represent the respective ends of the spectrum, the former being on the way to consolidating democratic institutions and the latter being a fully fledged autocracy. However, both countries have known significant changes in their political situation in the past 15 years (cf. Dawisha and Parrot 1997). In contrast, Morocco and Tunisia both belong to the grey zone of semi-authoritarian regimes and have stayed within this zone stably over time. However, since the late 1990s, Morocco has witnessed processes of careful liberalization, whereas Tunisia's reforms in the early 1990s have not led to durable political changes (Brumberg 2003).

To provide the general background, we first compare the evolution of the respective political frameworks for democracy promotion. While there are regional and actor-specific differences, both the EU and the US can draw on similar 'toolboxes' in the two regions. These include all instruments short of coercion, providing both actors with the opportunity to choose between different approaches. We then systematically analyze the EU's and US's democracy promotion activities in each of the four countries in order to see how these instruments have actually been applied since the early 1990s. In the concluding section of the chapter, we compare our findings across countries and regions over time to shed light on the link between their approaches to democracy promotion and the domestic political situation in our four case studies. At least in the realm of non-coercive democracy promotion, the US and the EU pursue similar approaches in the individual countries. Differences between the two actors are more gradual than fundamental in nature, e.g. concerning the level of democracy assistance or the tone of public criticism. They are even consistent in resorting more readily

to a conflictual approach towards the Newly Independent States (NIS). This could rather be attributed to a higher concern about 'democratic backlashes' than to poor but stable democratic performance or to different overall foreign policy objectives in the respective regions. Overall, we find a systematic variation of their approaches according to the different country contexts in target countries. This indicates that in our cases domestic conditions are more important for determining external democracy promotion strategies than differences between the 'nature' of the actors.

## **Regional frameworks for democracy promotion in the Mediterranean and the Newly Independent States**

EU and US democracy promotion efforts in our four case studies are embedded in specific global and regional policy frameworks that have gradually developed over time. As a result, both actors can draw on a similar set of instruments allowing for both cooperative and conflictual approaches. For the sake of systematic comparison, this section covers for each actor a brief introduction to the specifics of their general relations with both regions, their commitments to promoting democracy there and the instruments that are at the EU's and the US's disposal.

### **The European Union**

Since its first bilateral contacts with Southern Mediterranean countries in the early 1960s, the EU has elaborated a specific 'Mediterranean' policy (Pierros, Meunier and Abrams 1999). In 1995, the Euro-Mediterranean Partnership (EMP) created the policy framework for multi- and bilateral relations. These take the form of the so-called Barcelona Process, a set of highly standardized Euro-Mediterranean Association Agreements, and a regional cooperation program (MEDA). By contrast, the EU's relations with the NIS started with the end of the Cold War and the break-up of the Soviet Union in 1991. The EU responded to the dramatic political change in the region by quickly recognizing the independence of the successor states of the Soviet Union. The regional cooperation program (TACIS) set up in 1991 lacked a strong multilateral dimension comparable to the EMP. In the mid-1990s, the EU concluded Partnership and Cooperation Agreements with most of the post-Soviet states. They are comparatively less advanced than the agreements with the Mediterranean countries. With the introduction of the European Neighbourhood Policy (ENP) in 2004, the EU has integrated its Southern and Eastern neighbors into the same policy framework (Smith 2005). The ENP mainly strengthened existing bilateral relations and merged the two regional cooperation

programs into the new European Neighbourhood and Partnership Instrument (ENPI) in 2007.

Beginning already in the early 1990s, the EU has applied 'global' democracy promotion instruments and integrated democracy promotion in its Mediterranean policy. An explicit commitment to democracy by the EU and its Mediterranean partners was introduced with the Barcelona Declaration and the foundation of the EMP in 1995 (Youngs 2002). Similarly, the EU's commitment to promote democracy in the NIS gradually developed during the 1990s. In the beginning, democratic transition figured as a secondary objective behind economic reform, before it became one of the EU's priorities in the second half of the 1990s.

With the new generation of bilateral agreements referred to above, the EU has institutionalized a formal 'political dialogue' with all its neighbors in both regions. These dialogues are conducted at ministerial and senior official level. In the Mediterranean region, an additional formalized multilateral political dialogue takes place in the framework of the Barcelona Process since 1995. Since the mid-1990s, the EU has institutionalized negative democratic conditionality through the so-called 'essential element' and 'suspension' clauses that were systematically included in all bilateral agreements as well as the regional cooperation programs (European Commission 1995). Programming of foreign aid is also dynamically linked to progress of political reforms. Furthermore, the ENP has strengthened the idea of positive conditionality as the development of bilateral relations is made conditional on the commitment to and implementation of reforms, including those in the political realm (Del Sarto and Schumacher 2005; Lavenex 2004; Smith 2005). Action Plans agreed upon bilaterally set specific benchmarks, which are in turn monitored in regular progress reports. In 2005, the EU proposed the creation of a Democracy Facility for Mediterranean countries to create financial incentives for reform, providing for additional funding on the basis of progressive reforms. In the framework of the ENP, this idea is continued by the Governance Facility since 2007 (European Commission 2006h). Democracy assistance has been incorporated in the EU's regional cooperation programs MEDA and TACIS since the mid-1990s. Through these programs, the EU mostly engages with state actors and democracy assistance usually takes the form of large scale, mostly governance or rule of law related projects. Simultaneously, the EU has engaged in funding smaller projects, mostly implemented in cooperation with non-state actors. Comparatively small MEDA and TACIS Democracy Programs (DP) served this purpose until 1998. Subsequently they were merged in the

global European Initiative for Democracy and Human Rights (EIDHR) (Kaldor and Wilke 1997; Karkutli and Bützler 1999).

### **The United States**

Compared to the EU, the US has a much longer tradition of bilateral relations with the Mediterranean countries including diverse agreements and foreign aid managed by the United States Agency for International Development (USAID). However, it has only recently developed a distinct regional approach with the Middle East Partnership Initiative (MEPI) in 2002 and multilateral elements under the G-8 'Broader Middle East and North Africa (BMENA) Initiative' in 2004 (Ottaway and Carothers 2004; Wittes and Yerkes 2004). Regarding the NIS, the US approached the region similarly to how the EU did. It responded to the dissolution of the Soviet Union by immediately recognizing the NIS, establishing bilateral ties to all countries and issuing a major cooperation program covering the whole region except for the Baltic republics. Support for the 'triple transition' (Offe 1991) has been provided under the Freedom Support Act (FSA), which was adopted in 1991 and is now gradually phasing out. As the EU, the US did not establish any comprehensive multilateral framework for its relations with the NIS.

The Mediterranean region has always been included in the US's global commitment and efforts to promote democracy. However, attention to the region's 'unsatisfactory' political situation has increased dramatically after the events of September 2001 (Dalacoura 2005; Huber 2008). Since then, promoting democracy in the Mediterranean region has been portrayed as one of the major challenges in the 'war on terrorism' (Carothers and Ottaway 2005). Thus, both MEPI and the BMENA Initiative are explicitly designed as comprehensive endeavors to promote democracy – as well as prosperity and security – in the region. With respect to the NIS, democracy promotion ranked highly on the US foreign policy agenda after the dissolution of the Soviet Union. Having struggled with totalitarian communist regimes in the greater region for decades, the US justified the FSA from the very beginning with the 'once in a century opportunity to consolidate freedom' and the contribution of 'democracy and open markets' to their national security (White House 1992).

In contrast to the EU, the US does not rely on a comparable institutionalized framework for the application of instruments for this purpose. Political dialogue is rather part of its conventional diplomatic relations and includes general contacts between (embassy) officials and

their partners in the host country. The US involve non-state actors more systematically than the EU. In the Mediterranean region, fora for multilateral dialogues have been created as part of the BMENA Initiative. By contrast, the US does not pursue a multilateral political dialogue in the NIS.

Conditionality is equally a matter of conventional foreign relations in the US. Thus, the US are more flexible in granting rewards or imposing sanctions than the EU. However, the Foreign Assistance Act includes human rights aspects among the extensive criteria for a country's 'eligibility' to agreements and foreign assistance. For the NIS, the FSA of 1992 includes even more constraints on the delivery of assistance. They add up to similarly dynamic and negative conditionalities as in the case of the EU. Again, a clear positive conditionality has been introduced more recently. In 2004, the Millennium Challenge Corporation (MCC) was created as a second major development assistance agency that links funding out of the Millennium Challenge Account (MCA) to a clear set of governance criteria based on international indices (MCC 2008; see also the Chapter 3, this volume, by Girod, Krasner and Stoner-Weiss).

With respect to democracy assistance, the US cooperates to a greater extent with non-state actors than the EU. Large-scale governance-related projects are however mainly implemented by USAID and state actors. Additionally, the US created the Human Rights and Democracy Fund (HRDF) in 1998, which is managed by the State Department and funds smaller projects with non-state actors. Although it is designed as a global instrument, the NIS have only received little funding under this program. HRDF funds for the Mediterranean region are complemented by MEPI projects. In general, there is a trend over time towards more democracy assistance.

In general, both actors have developed a similar 'toolbox' for promoting democracy, i.e. they can both draw on all three non-coercive logics of influence and the different pathways discussed above (see Table 5.2). However, there are some distinctions. First, the EU's commitment to promoting democracy in both regions has gradually emerged at the beginning of the 1990s, whereas the US realized their global commitment according to regional opportunities or challenges. Second, the EU relies on institutionalized relations to a much greater extent, which may lead to less flexibility in the application of instruments. Third, the US framework allows for stronger incorporation of non-state actors than that of the EU. However, their 'toolboxes' allow both of them to pursue the whole range of approaches to democracy promotion. Turning to our country cases, it is therefore interesting to see in how far the two actors

Table 5.2 Instruments for democracy promotion

Logics of influence	EU		US	
	Mediterranean	NIS	Mediterranean	NIS
➤ <i>Persuasion</i>	Institutionalized dialogue		Part of diplomatic relations	
➤ <i>Capacity building</i>	Mainly with state actors MEDA (1995)                      TACIS (1991) ENPI (2007)		With state and non-state actors USAID                      USAID (FSA 1992)	
	With non-state actors MEDA DP (1996)                      TACIS DP (1992) EIDHR (1999)		With non-state actors HRDF (1999) MEPI (2003)	
➤ <i>Incentives</i> • <i>Negative</i>	Suspension of cooperation and assistance		Conduct of foreign policy, suspension of assistance	
	Deepening of relations (2003), additional funding (2005/2007)		Conduct of foreign policy, additional funding (2005)	
• <i>Positive</i>				



adapt their democracy promotion efforts to the different contexts they find on the ground – and in how far they do it differently.

## **Promoting democracy in different country contexts**

### **Morocco – EU**

Morocco is fully integrated into the EU's Mediterranean (neighborhood) policy framework. It was one of the first countries to sign a Euro-Mediterranean Association Agreement in 1995 even before the launch of the EMP. It entered into force in 2000 and includes the standard provisions on political dialogue and democratic conditionality. With commitments of more than €1.4 billion between 1995 and 2006, Morocco was the largest recipient of MEDA funding (European Commission 2007e: 17). For 2007–2010, the new National Indicative Program has earmarked €654 million for projects in Morocco, the largest sum given to any country under the ENPI (European Commission 2007d: 3). Democracy and its promotion has become an issue in EU–Moroccan relations especially with the establishment of the general EMP framework in 1995 (Haddadi 2002).

Since the end of the 1990s, the EU has perceived Morocco as a country engaged in political reform and willing to improve its human rights record.<sup>1</sup> In particular, the succession of Mohammed VI in 1999 was seen as a positive development, and high hopes were attached to the new commitment to political reform (European Commission 2007e: 9–10). Thus, while gently criticizing persisting shortcomings, the EU sees Morocco as clearly 'pursuing a process of democratization' well ahead of other countries in the region (European Commission 2007e: 3, 9).

EU democracy promotion has been following a clearly cooperative approach in Morocco, relying on dialogue, rewards and democracy assistance, and focusing on state actors. Declarations have only been used sparingly on the Western Sahara conflict and negative conditionality was never applied. In general, it is difficult to get any information on the actual functioning of the political dialogue. However, the EU–Moroccan Association Council has been one of the first to establish a distinct sub-committee on 'human rights, democratisation and governance', which met for the first time in November 2006 and again in November 2007 (European Commission 2008a: 4). Morocco is one of the first neighborhood countries to benefit from the new positive conditionalities. Morocco received supplemental allocations of €30 million and €28 million under the Democracy and Governance Facilities in

2006 and 2007, respectively (European Commission 2006b: 3; 2007a: 62). In 2007, the EU also announced to open talks with Morocco on the long time requested 'statut avancé' (European Commission 2007b).

The EU already started democracy assistance to Morocco in the early 1990s, but it has made very different use of this instrument over time: Under the MDP, the EU very actively funded 'grassroots' initiatives in Morocco (Karkutli and Bützler 1999: 85–7). With the changes to the horizontal EIDHR, there is a gap of several years where Morocco was only included in regional projects. It is only in 2005 that the EIDHR started to finance small-scale projects with Moroccan non-governmental organizations (NGOs) again. Under MEDA, about €35 million were spent on the modernization of the judiciary in 2000 and two smaller human rights projects mostly addressing state actors in 2005 (European Commission 2001b, 2005a). Under ENPI, three programs that are directly or indirectly related to the good governance and human rights priority and mostly address state actors are envisaged for 2007–2013, amounting to nearly €50 million (European Commission 2007d).

### Morocco – US

Relations between Morocco and the US date back to the late eighteenth century and are governed by a range of bilateral agreements, the most advanced being a Free Trade Agreement in force since 2006. Morocco is eligible to US foreign assistance, receiving both development and military assistance.<sup>2</sup> Apart from a general increase in (military) funding over the past few years, foreign assistance nearly doubled in 2005 as Morocco started receiving funds under MEPI. For the financial period 2002–2007, aid to Morocco amounts to \$155 million, of which \$69 million were earmarked for military assistance (Sharp 2006: 18). USAID has been active in Morocco since 1953 and operates through a mission in Rabat. Despite the long-standing commitment to promote democracy in international relations, it is only since the late 1990s and especially after 2001 that the US has pursued its agenda in Morocco more pro-actively.

At least since the mid-1990s, the annual US Country Reports on Human Rights Practices have denounced human rights abuses and the undemocratic character of the Moroccan regime.<sup>3</sup> Similarly to the EU, there was a gradual shift in 1999, when the report underlined the improvements intended and made under the rule of Mohammed VI. The US are enthusiastic about the 'steady, significant, and substantial progress in extending and implementing democratization and good governance reforms' (USAID 2008; cf. US State Department 2008a).

Nevertheless, in its human rights reports, the US State Department is much more explicit and detailed in listing all kinds of shortcomings than any assessment that the EU has ever issued.

In its approach to democracy promotion in Morocco, the US draws on the same logics of influence as the EU. Clearly pursuing a cooperative approach, there are still some differences with regard to the design and timing of specific instruments and the inclusion of non-state actors. Thus, political dialogue takes place in regular contacts and particular activities, such as roundtables. This includes meetings with Moroccan governmental officials, but also with parliamentarians and civil society actors and high-level political talks between heads of state. The US seems to include non-state actors on a more systematic basis than the EU.

It is not easy to find any records of public declarations on the political or human rights situation in Morocco issued by US officials. Similarly to the positive conditionality under the ENP, Morocco was the first country in the Mediterranean region to benefit from the new MCA (MCC 2008). It has been a candidate since 2005 and qualified as eligible for funding in 2005, 2006 and 2008. The US and Morocco signed a Millennium Challenge Compact in 2007 that foresees an aid package of \$697 million for five years. The Compact does not include democracy assistance as such, but given the comparably low level of foreign assistance, the additional \$118 million per year is a significant reward. In a similar vein, the sharp increase in foreign assistance in 2005 can be interpreted as a form of reward. Compared to the slow increase of EU funding over time, the US has significantly stepped up its financial engagement after 2001 and offers much more substantial rewards for political reform.

This is also reflected in the fact that US democracy assistance directly to Morocco was virtually non-existent during the 1990s. It was only in 2004 that USAID launched an 'Improved Government Responsiveness' program for the period 2005–2008 (USAID 2007). For the first three years, funds amounting to about €18 million were earmarked for activities including capacity-building, anti-corruption, the holding of elections and decentralization, addressing mostly state actors, including the Moroccan parliament and local administration. The HRDF funded five projects in Morocco between 2001 and 2004, amounting to \$1.3 million, targeting for the most part civil society actors and human rights activists (US State Department 2008c). In the framework of the MEPI, four projects were funded under the political (about \$2.6 million) and seven under the women's pillar (\$5.3 million) in 2003–2005 (US State Department 2008d). For the most part, the political projects are

directly concerned with political processes, addressing the parliament, parties and civil society actors, while the women's projects focus on education and legal rights.<sup>4</sup>

Thus, while the US pursues a similar cooperative approach towards Morocco as the EU, there are some interesting differences to point out with regard to the inclusion of non-state actors, the timing of democracy assistance, and the size and nature of rewards. Regarding the latter, the financial reward under the MCA is much more substantial than what the EU has ever granted under its facilities and it comes as a larger package for five years instead of on a yearly basis. Especially in regard to the lower levels of foreign assistance, this makes the Compact a much more noticeable reward than what the EU has to offer. However, the EU offers more than 'just' aid: talks on the 'statut avancé' are clearly marked as a reward and show that the EU is serious about differentiating between countries when it comes to the development of bilateral relations. As to democracy assistance, both actors stepped up their efforts around the year 2000, but compared to the more continuous efforts of the EU, the US dramatically increased its funding after 2001. Thus, under MEPI and the HRDF, the US has spent more on direct democracy assistance to Moroccan non-state actors since 2001 than the EU since the early 1990s. In general, the US includes non-state actors in political dialogue and democracy assistance on a more systematic basis than the EU.

### **Tunisia – EU**

Just as Morocco, Tunisia is fully integrated into the EU's Mediterranean policy framework. Its Euro-Mediterranean Association Agreement, signed in 1995, was the first to enter into force in 1998. It includes the same provisions on political dialogue and democratic conditionality. While the MEDA funds of more than €750 million committed in 1995–2006 are not even two-thirds of the Moroccan funds, Tunisia is still one of the larger recipients when considering the much smaller population (about one third) and the much higher payment rate, reaching 98 per cent for 2000–2004 (European Commission 2007f: 10). For 2007–2010, Tunisia is supposed to receive about €300 million under ENPI (European Commission 2007f: 22–4). The EU has been committed to promoting democracy and human rights in Tunisia at least since the launch of the EMP in 1995.

While the criticism of undemocratic practices and violations of human rights is as carefully phrased as in the case of Morocco, reports on Tunisia again and again underlined that compared to cooperation

on economic and social issues, 'progress on the political front' has not been satisfactory (European Commission 2006a: 2; 2002, 2004). This is indirectly linked to a lack of political will on the side of the Tunisian government, using the action plan only selectively to pursue its own development priorities. While the joint action plan includes 'far-reaching undertakings on democracy, governance and human rights', the EU clearly demands that '[t]hese undertakings must now be followed up by tangible progress' (European Commission 2007f: 5).

The EU is apparently trying to uphold a cooperative approach to democracy promotion with political dialogue and democracy assistance, despite major difficulties in implementing these tools in the face of open reluctance of the Tunisian government. The 2002 strategy paper explicitly criticizes the lack of progress in the political dialogue because Tunisia 'est rétive à l'égard des critiques de l'UE concernant les questions des droits humains' (European Commission 2002: 6). The negotiations on a human rights sub-committee have apparently been much more difficult than with Morocco (European Commission 2008b: 3). Nevertheless, the EU-Tunisian Association Council finally agreed on the terms of reference in 2007 so that the first meeting could take place only one year later than in Morocco.

In comparison with Morocco, there are a lot more declarations of EU actors on the Tunisian regime's failure to respect human rights. Between 2000 and 2006, the European Parliament adopted at least six resolutions. Here it becomes obvious that the Tunisian government interferes with EU democracy promotion efforts, withholding funds intended for local human rights NGOs, hindering their work, and refusing to cooperate in democracy assistance projects with state actors.<sup>5</sup> Declarations of the Council are scarce, but there are statements on the 1999 and 2004 elections, asking the Tunisian government 'to take the necessary steps to ensure that the next elections fully meet international standards'.<sup>6</sup> However, no further formalized actions were taken, such as the adoption of Common Positions or the application of negative conditionality.

In addition to the different diplomatic tools, the EU has also provided (or tried to provide) democracy assistance. The 1999 evaluation of democracy assistance criticizes that efforts had been limited from the outset and urges the Commission to step up to its engagement despite manifest 'difficulties to implement MDP projects because of the Government's opposition to any such interventions' (Karkutli and Bützler 1999: 110). Maybe in a reaction to this evaluation, Tunisia was selected as one of about 30 focus countries for the 2002–2004 period of

EIDHR programming and received approximately €2–3 million for projects mostly addressing the judiciary, trade unions and NGOs in micro-projects. After the discontinuation of the focus country concept, there were no more projects in 2005 and 2006. Under MEDA, €30 million were committed for so-called ‘third generation programs’ on political reform in 2002, but these programs were partly cancelled or delayed by 2005 (European Commission 2005b: 2). In 2007, the Commission finally reacted to this situation with the fundamental decision to abandon its democracy assistance efforts under ENPI, taking ‘the view that efforts over the first period of the CSP [Country Strategy Paper] should focus on good economic governance’ (European Commission 2007f: 1). Consequentially, the ‘strategic priority objective’ of ‘medium-term political reforms concerning democracy and human rights, the rule of law and sound institutional governance’ (European Commission 2007f: 15) is not translated into any democracy assistance programs.

Taken together, the EU’s democracy promotion efforts in Tunisia should probably be characterized as a ‘failed cooperative’ approach: While the Council and the Commission stick to cooperative tools, their implementation is hampered by the resistance of the Tunisian government. Rewards are accordingly withheld, the EU does not openly consider the application of sanctions and it is only the European Parliament that calls for a tougher position vis-à-vis Tunisian violations of human rights. However, the abandonment of democracy assistance efforts under ENPI illustrates the limits of a cooperative approach to democracy promotion without the willing cooperation of the targeted regime.

### **Tunisia – US**

The ‘very good’ bilateral relations between Tunisia and the US, which also date back to the eighteenth century, led to a Trade and Investment Framework Agreement in 2002 that is generally seen as a major step towards a Free Trade Agreement like the one already in place with Morocco. Tunisia is one of the minor recipients of foreign assistance in the Mediterranean region. In contrast to Morocco, it dropped out of the scheme for USAID development assistance in the mid-1990s due to its favorable socioeconomic development. Between 2002 and 2007, \$55 million of military assistance were requested for Tunisia, with annual appropriations increasing over time and nearly doubling in 2004 (Sharp 2006: 18). USAID was active in Tunisia between 1957 and 1994 and while it now has no mission in Tunisia, the MEPI regional office is based in Tunis. Democracy promotion activities were also stepped up after 2001, but to a lesser degree than in Morocco.

The Human Rights Reports have continuously been exposing 'serious' human rights abuses and limitations to democratic processes by the Tunisian government over the past decade. Since 2004, the US democracy promotion reports go so far as to speak of 'an authoritarian system of government and significant limitations to political participation and freedoms of expression, association, assembly and the press' (US State Department 2004: 191). In addition, they point out the remarkable contrast between relatively far advanced and well-respected economic and social rights as opposed to the ongoing violations of political and civil rights and fundamental freedoms (US State Department 2006: 189). This does apparently not impair the 'very good relations' or impede active military cooperation.

Basically pursuing a cooperative approach to democracy promotion in Tunisia, the US seems to be confronted with similar difficulties as the EU. Political dialogue includes governmental contacts and meetings with civil society, local media and representatives of religious groupings (US State Department 2006: 189). Despite the clear view on the political and human rights situation in the different monitoring reports, there are only few recent press releases of the State Department addressing human rights violations, mostly individual cases of prosecuted human rights activists. Apparently, the US has also built up pressure more directly at the national level, e.g. by placing 'opinion pieces in the local press' (US State Department 2004: 192), taking a slightly more conflictual stance than the EU.

The US has not applied conditionality in its relations with Tunisia over the past decade, as, on the one hand, repeated criticism has never led to sanctions, e.g. the ineligibility for (military) assistance; on the other hand, Tunisia has been a candidate for the MCA since 2006 but has never come close to qualifying for a Compact (MCC 2008). Compared with Morocco, US democracy assistance is nearly non-existent. The HRDF has not been used for financing projects specifically in Tunisia, which is only covered by some regional projects (US State Department 2008c). In the absence of the USAID channel for democracy assistance, this is surprising, as the State Department underlines its importance in situations when 'HRDF programming is the only U.S. assistance available to citizens fighting to change their societies' (US State Department 2008b). The situation of democracy assistance in the framework of the MEPI political and women's pillars is similar to the HRDF (US State Department 2008d). This might in part be explained by the US's complaint about the obstructive attitude of the Tunisian government (US State Department 2006: 189; US State Department 2005: 203). This

resonates with the EU's difficulties in implementing democracy-related programs in Tunisia.

### **Belarus – EU**

The EU recognized Belarus as an independent state in 1991. Until 1996, relations between Belarus and the EU developed in a way comparable to other former Soviet States. Correspondingly, Belarus received substantial TACIS funds to support the economic and, to a lesser extent, democratic transition.<sup>7</sup> Although a Partnership and Cooperation Agreement was signed in 1995, it never entered into force due to significant political developments and changes in Belarus (Mihalisko 1997). In 1996 Alexander Lukashenko, who was elected in 1994 as the Belarusian president, extended his term in office by referendum and amended the constitution in order to heavily concentrate power in the executive branch (cf. Beichelt 2004; Silitski 2006).

The authoritarian backlash against democratic reform that started in the mid-1990s prompted a turn in the EU's originally cooperative stance towards Belarus. Highlighting a lack of commitment by the Belarusian authorities in 1997, the Council of General Affairs finally declared to 'neither conclude the interim agreement nor the partnership and cooperation agreement'.<sup>8</sup> Instead, they decided to provide regional, humanitarian and democracy assistance only and to limit bilateral contacts. Accordingly, an institutionalized framework to shape relations between the EU and Belarus in a way comparable to other former Soviet States has not materialized. Moreover, since the mid-1990s, the EU has relied on a conflictual approach to democracy promotion marked by irregular low-level contacts, open criticism, the application of negative conditionality and democracy assistance that is restricted to non-governmental actors.

During the past decade the EU consistently and repeatedly voiced concerns about the conduct of elections since 2000.<sup>9</sup> On other occasions, the EU demanded the release of political prisoners, investigations in cases of disappeared persons, or displayed serious concern about the human rights situation or media freedom.<sup>10</sup> In 2004, the EU applied first sanctions under the Common Foreign and Security Policy by imposing a visa ban on four Belarusian government officials who were allegedly involved in the mysterious disappearance of dissidents or blocked the initiation of an independent investigation in these matters (European Commission 2008c). After the 2004 parliamentary elections and the 2006 presidential elections, the visa ban was progressively extended to a total of 31 officials including the president. In addition, the EU has frozen the assets of most of these and additional officials. In sum, the



sanctioning of high-level officials in the Belarusian government has become one of the primary instruments in the EU's democracy promotion approach towards Belarus.

In light of these sanctions, the European Commission published a non-paper which outlined the advantages Belarus could enjoy in exchange for moves towards democratization (European Commission 2006i). In essence it offered a return to a 'cooperative' approach of the EU based on formalized relations, political dialogue and assistance. However, with a view to the whole political development of independent Belarus such a turn is unlikely as long as the Lukashenko regime remains in place. The conflictual approach of the EU has also been reflected in the programming of democracy assistance over the past decade. Due to the fact that the implementation of TACIS projects required consent with the government of the target country, little funds have been used for these purposes since 1997. TACIS funds were only allocated in 1997 (€5 million), in 2000 (€6 million) and in 2005 (€8 million), mainly for supporting civil society development, media development and education (cf. European Commission 2004c). For the period 2007–2010, ENPI foresees a sum of €20 million, 30 per cent of which is for democratization and good governance projects (European Commission 2006c). Since 2005, Belarus has also been eligible for EIDHR funding. This has essentially opened up the opportunity to bypass the Belarusian government.<sup>11</sup>

### **Belarus – US**

The US democracy promotion approach towards Belarus largely resembles that of the EU.<sup>12</sup> Initially, the US recognized Belarus's independence in 1991, followed by the establishment of diplomatic relations. In 1993 a bilateral trade agreement entered into force and in 1994 a bilateral investment treaty was signed. Between 1992 and 1995 a total of \$455 million of military, humanitarian and development assistance was provided from various sources.

After 1994 the relations between the two states rapidly deteriorated. This was largely due to the stalled democratic transitions which had a substantial impact on the subsequent configuration of US democracy promotion instruments. The US State Department's Human Rights Country Report highlighted the same points of critique as EU declarations.<sup>13</sup> Apart from elections and referenda, the US have consistently been concerned about human rights issues, in particular with regard to freedom of expression, information and assembly. Shortly before having been nominated Secretary of State, Condoleezza Rice even labeled

Belarus an 'outpost of tyranny' (BBC News, 2005) together with Cuba, Iran, North Korea and Burma.

Apart from declarations, the US have also applied negative conditionality against Belarus. These sanctions have all been justified by citing the political climate in Belarus. Significant changes first became visible in 1995 when aid provided under the FSA was sharply reduced. In 1997 the US announced a strategy of 'selective engagement' (Woehrel 2007). This essentially meant that no funds were to be channeled through Belarusian government agencies. At the same time support for civil society organizations as well as independent media was increased. Although human rights abuses were increasingly condemned, Belarus has never completely lost its eligibility for foreign assistance under the respective human rights clause of the Freedom Support Act. However, additional sanctions were officially imposed with the Belarus Democracy Act of 2004 and confirmed by the Belarus Democracy Reauthorization Act of 2006. These legal measures denied senior Belarusian officials entry into the US. Furthermore, they reinforced restrictions on the provision of US assistance to governmental agencies and demanded the US government to oppose 'any extension' of similar funds by multilateral organizations.<sup>14</sup> These sanctions are only to be lifted when significant progress in the conduct of elections, improvements of the human rights situation and penal prosecution are observed and political prisoners are released from jail. Thus, similarly to the EU, the US primarily rely on incentives as long as central authoritarian features of the Lukashenko regime continue to persist.

As in the case of the EU, sanctions have been complemented by democracy assistance supporting the development of democratic parties and non-governmental human rights organizations as well as independent media. Thus, by setting incentives through sanctions and by supporting non-state actors and independent media through democracy assistance, the US displays a conflictual approach.

In sum, both the EU and the US offered the full package of assistance and upgraded relations to Belarus in the early 1990s. However, they quickly switched to a conflictual approach in light of the rapid and constant deterioration of the political state of affairs since 1995 and the subsequent consolidation of authoritarian rule. This coordinated approach has been primarily made up of open condemnation, sanctions and direct assistance to non-state actors within and outside the country. Due to the repressive situation on the ground and few access points within Belarus, US and EU democracy assistance levels have been comparatively low. Both actors offer a normalization of relations

with Belarus, provided the Belarusian government improves the human rights record, strengthens the rule of law, and displays respect for democratic principles.

### **Ukraine – EU**

In contrast to Belarus the EU has integrated Ukraine to full extent into its regional policy framework. Ukraine was recognized as an independent state by the EU in 1991. It was the first state to conclude a Partnership and Cooperation Agreement which was signed in 1994 and entered into force in 1998. Financial and technical assistance for Ukraine through the TACIS program between 1991 and 2005 steadily rose to a total of more than €1 billion, making it the largest recipient after Russia. The particular importance attached to Ukraine by the EU has further been underlined by the development of a Common Strategy towards Ukraine. Since the end of the 1990s Ukraine has signaled great interest in deepening its relations with the EU in order to ultimately join it. While refusing a membership perspective at least in the medium term, the EU currently negotiates an enhanced agreement with Ukraine. This also indicates that the EU today perceives Ukraine as one of the best performing ENP countries with regard to political and economic reforms (Ferrero-Waldner 2006).

Consequently, for the most part EU democracy promotion in Ukraine followed a cooperative approach consisting of dialogue, democracy assistance for predominantly state actors, and – following the Orange Revolution – rewards.

During the 1990s the EU displayed relative satisfaction with the democratization process in Ukraine, criticizing if at all, slow progress implementing economic reforms. It is not clear as to what extent democracy and human rights have been an issue in political dialogue behind closed doors over the past years. However, between 2001 and the Orange Revolution in 2004 the EU more than once publicly voiced concern about increasingly authoritarian rule under President Kuchma. Critique focused on freedom of media and in particular the disappearance of journalist Georgi Gongadze and the subsequent investigation that was deemed neither sufficient nor transparent.<sup>15</sup>

Despite these problems, the EU has not raised substantial doubt about the general commitment of the Ukrainian government to democratic reforms as it has done in the case of Belarus. This may be due to the fact that certain improvements could still be observed such as the conduct of the 2002 parliamentary elections. In the run-up to the 2004 presidential elections the EU partially changed its tone, inter

alia expressing deep concern over the increased policy of intimidation of independent media and the significance this had for Ukraine's international reputation.<sup>16</sup> During the elections that were marked by massive electoral fraud and the subsequent political crisis (cf. McFaul 2007), the EU, however, played a rather cautious role. The Council for example regretted that the conduct of the first round did not correspond to international standards.<sup>17</sup> However, it remained remarkably quiet in view of the mass protests following the second round of the elections. Here, the EU left the initiative to the High Representative for the CFSP Javier Solana, and particularly to the Polish and Lithuanian Presidents Kwasniewski and Adamkus, who engaged in talks with the Ukrainian authorities (cf. Åslund and McFaul 2006; McFaul 2007). The European Parliament at the same time called on the Ukrainian authorities to declare the outcome of the second round null and void. Moreover, it appealed to the Commission and the Council to state that the use of force by the Ukrainian Government would directly lead to a suspension of the cooperation agreement and to sanctions (European Parliament 2004).

However, even on the eve of the Orange Revolution the EU did not officially threaten to impose sanctions based on the essential elements clause in the cooperation agreement. It remains an open question, whether the EU would have followed the European Parliament's demands, if the democratic breakthrough had not occurred to end the political crisis in Ukraine. Since real improvements had been observed in the repeated second round of the elections in 2005, the Council congratulated the newly elected President Yushchenko for his victory and emphasized further support to the country.<sup>18</sup>

Following the Orange Revolution, the EU further strengthened its cooperative approach towards Ukraine, increasing democracy assistance and applying positive conditionality. The monitoring report of 2006 confirmed significant progress in particular with regard to elections, human rights, freedom of the media and the judiciary (European Commission 2006f). A first reward was the start of negotiations on the first 'enhanced agreement' to be concluded with a neighborhood country in 2007 (European Commission 2007c). Moreover, like Morocco, Ukraine has received additional financial assistance through the newly established Governance Facility.

EU democracy assistance has been delivered to Ukraine through TACIS and EIDHR since the mid-1990s. TACIS funds were provided for capacity-building efforts in various state agencies and improving regulation and to a smaller extent for the support of non-state

actors. Democracy assistance was mostly provided in the priority area 'support for institutional, legal, and administrative reform', that accounted for about €223 million between 1998 and 2006 and made up 43 per cent of the resources provided during that period.<sup>19</sup> In general, however, projects under this heading aimed at strengthening the capacity of central and regional government agencies, of the judiciary, but also of media and NGOs (European Commission 2001a, 2003a). Under ENPI, the priority area 'Support for Democratic Development and Good Governance' accounts for 30 per cent of the total budget (€494 million) in 2007–2010 and mainly addresses the public administration, the judiciary, educational system and the institutional framework for local self-government and public participation (European Commission 2006d, e). EIDHR complemented TACIS by almost continually supporting civil society organizations and the development of independent media. EIDHR funds allocated for Ukraine between 1999 and 2006 add up to about €5.95 million (European Commission 2006d, e).

### **Ukraine – US**

The US recognized Ukraine as an independent state in 1991. The US consulate in Kiev opened in 1992 was upgraded to an embassy in 1993. In 1992 a bilateral trade agreement and in 1994 a bilateral investment treaty were concluded. Compared to other NIS, Ukraine has been a major recipient of US assistance, receiving more than \$3 billion over the past 16 years.

In general, the US has attached great strategic importance to the second largest successor state of the Soviet Union. Despite these positive signs, the US–Ukraine relationship has developed unevenly since Ukraine's independence. This is mainly due to slow progress in economic reforms and a stalled democratization process, particularly between the late 1990s and the Orange Revolution in 2004.<sup>20</sup> The regular US Human Rights Country Reports bluntly described Ukraine's human rights record as 'mixed' in 1999, 'poor in some areas' in 2000, 'poor' with 'some improvements' in 2001 and 'poor' and 'in some cases worsened' in 2002. Critique *inter alia* focused on the inefficient judiciary, increasing intimidation and harassment of media (including the Gongadze case), limited freedom of association and assembly, but also on the conduct of the elections in 1999 and 2002. According to US human rights and democracy promotion strategy reports these issues have frequently been set high on the agenda in regular diplomatic meetings (cf. US State Department 2003, 2004).

Until 2002, the US adopted a cooperative democracy promotion approach. In the light of increasing authoritarian rule under the Kuchma government this approach partly changed between 2002 and 2004. The US made it very clear that it would consider the Ukrainian presidential elections in 2004 a decisive test of the Ukrainian government's commitment to democratic reform (cf. Sushko and Prystayko 2006). US officials increasingly appealed to Ukraine's government to do its best in ensuring free and fair elections (Pifer 2004), and in the immediate run-up to the elections, the US threatened to impose sanctions against anyone engaged in electoral fraud (Armitage 2004). However, at that time negative conditionality had not been applied with regard to foreign aid under the FSA, despite increasing concerns about the human rights situation in Ukraine.<sup>21</sup>

Considering the inadequate conduct of the 2004 elections and their outcome, US Secretary of State Colin Powell urged for a full review (cf. McFaul 2007; Sushko and Prystayko 2006). By contrast, the repeated second round was praised by Powell as a 'historic moment for democracy' (Krushelnycky 2004). Subsequently, in official statements new opportunities for the development of the US-Ukraine relations were enthusiastically celebrated, most visible in a joint statement by President Bush and President Yushchenko titled 'A New Century Agenda for the Ukrainian-American Partnership' in 2005. In response to the success of the Orange Revolution and significant improvements in many democracy-related areas, the US has 'dramatically' (Fried 2005) deepened dialogue with Ukraine, raised the levels of assistance and supported Ukraine's NATO and WTO aspirations. These rewards were complemented by additional resources provided by the MCC. A threshold agreement was signed in 2006 and a compact agreement is currently under discussion (MCC 2008).

US democracy assistance played a significant role in particular in the run-up to the 2004 elections. Prior to 2002 it consisted of support for judicial and legal reforms, structural reforms, improving (local) governance and legislative processes, media, party and civil society development and anti-corruption measures. While these issues largely remained in the democracy assistance portfolio, between 2002 and 2004 particular importance was attached to measures related to the preparations of the 2004 presidential elections. In doing so, the US involved and addressed non-state actors to a much greater extent than the EU had done.

Specific measures focused on voter education, training for independent media, watchdog organizations, political parties and equally on

the administration of the elections and the legal framework. Official democracy assistance provided by USAID was complemented by huge efforts of non-governmental actors such as the International Republican Institute, the National Democratic Institute, the Eurasia Foundation and several others. Undisputedly, these measures contributed to the emergence of a civic protest movement and the Orange Revolution in 2004 (cf. McFaul 2007). Moreover, while stating in the 2005 FSA implementation report that this rather 'political' type of democracy assistance had been non-partisan, the US had been accused of interfering in domestic matters (cf. Sushko and Prystayko 2006). Following the Orange Revolution, the level of official democracy assistance rose significantly, in absolute figures as well as compared to overall aid levels.<sup>22</sup> Furthermore, democracy assistance was to a greater extent directed at strengthening and improving governance capacities of the Ukrainian authorities.

Overall, EU and US democracy promotion in Ukraine has, for the most part, followed a cooperative approach that was only challenged between 2002 and 2004. In comparison, the US more strongly reacted to the deteriorating political situation in Ukraine, partially switching to a conflictual approach including an open threat of sanctions and the relocation of funds to non-state actors. By contrast, the EU largely continued to provide democracy assistance to government agencies. It remains, however, an open question, whether the EU would have followed the US partial switch, if Ukraine had further walked down the authoritarian path in 2004. The Orange Revolution gave new impetus to domestic democratic reforms, which allowed the EU to continue and the US to return to a cooperative approach. Both actors have financially rewarded the election of a reform-minded government and like in Morocco the EU has started negotiations to further strengthen relations.

## **Conclusions**

In this chapter we have explored the link between approaches to international democracy promotion and the political context in target countries, based on the idea that different types of regimes pose different challenges and provide different opportunities for international democracy promotion. In a comparative case study of the EU's and US's democracy promotion efforts in four countries, we have investigated in how far the EU and the US adjust their democracy promotion approaches to the varying democratic configurations. Our empirical findings indeed indicate that the domestic political situation in target

countries matters for the adoption of either cooperative or conflictual approaches by external actors. Moreover, our analysis reveals striking similarities of EU and US strategies in our four case studies from the Mediterranean region and the NIS (see Table 5.3).

In the semi-authoritarian countries of the Mediterranean region, Morocco and Tunisia, both actors have consistently pursued a cooperative approach since the mid-1990s. However, the implementation of their efforts varies significantly between the two countries. Considering the levels of democracy assistance and the engagement in political dialogue, the cooperative approach seems to be working out in Morocco, whereas the efforts vis-à-vis Tunisia have to be considered a 'failed cooperative approach'. Despite repeated complaints about the regime's obstructive attitude, neither the EU nor the US have openly considered to switch to a more conflictual approach. Instead, the EU and the US have recently started to differentiate between the countries through selective rewards for Morocco.

The NIS, including Belarus and Ukraine, by comparison, experienced much greater changes both in term of democracy promotion approaches as well as changes of the political situation on the ground. In the case of Belarus, both the EU and the US have turned to a conflictual approach in the middle of the 1990s which they still pursue, indicating a clear exit option for the Belarus regime. In Ukraine, the cooperative approach was called into question by the increasingly authoritarian Kuchma regime in 2004. Here, the US has been more consistent in actually changing their approach gradually, relying on different instruments and especially pathways. With the 2004 presidential elections and the change in government, both actors have stepped up their support through a cooperative approach again, including substantial rewards for the reform government.

In a nutshell, our four country cases show that the differences in country contexts seem to be more important for the EU's and US's choice of approaches than the assumed fundamental differences between the two actors themselves. Their approaches to democracy promotion do not differ dramatically in the choice of instruments. In addition, the approaches of both actors change in a similar way across countries and over time, which indicates that they effectively adapt their democracy promotion efforts to the political situation of the respective country. Both the EU and the US draw on cooperative and conflictual approaches to promote democracy in third countries. Nevertheless, a cooperative approach seems to be their 'default option' for democracy promotion, even under very different initial conditions in the two regions.



Table 5.3 Overview of EU and US approaches

	<b>Morocco</b>	<b>Tunisia</b>	<b>Belarus</b>	<b>Ukraine</b>
<b>EU</b>	<b><i>Cooperative</i></b>	<b><i>Failed cooperative</i></b>	<b><i>Increasingly conflictual</i></b>	<b><i>Cooperative with considered switch</i></b>
	<ul style="list-style-type: none"> <li>• Regular political dialogue with state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Regular political dialogue with state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Low intensity dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Regular political dialogue</li> </ul>
	<ul style="list-style-type: none"> <li>• Increasing democracy assistance to state and to a lesser extent to non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Little and decreasing democracy assistance to state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Little democracy assistance to non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Democracy assistance to state and to a lesser extent to non-state actors</li> </ul>
	<ul style="list-style-type: none"> <li>• Rewards since 2006</li> </ul>	<ul style="list-style-type: none"> <li>• Neither rewards nor sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation stalled since 1997, sanctions since 2004</li> </ul>	<ul style="list-style-type: none"> <li>• Considered switch to a conflictual approach in 2004</li> <li>• Rewards since 2007</li> </ul>
<b>US</b>	<b><i>Cooperative</i></b>	<b><i>Failed cooperative</i></b>	<b><i>Increasingly conflictual</i></b>	<b><i>Cooperative with partial switch</i></b>
	<ul style="list-style-type: none"> <li>• Regular diplomatic interaction with state non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Regular diplomatic interaction with state and non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Low intensity diplomatic relations</li> </ul>	<ul style="list-style-type: none"> <li>• Regular diplomatic interaction with state non-state actors</li> </ul>
	<ul style="list-style-type: none"> <li>• Increasing democracy assistance to state and non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Little democracy assistance to non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Little democracy assistance to non-state actors</li> </ul>	<ul style="list-style-type: none"> <li>• Democracy assistance to state and non-state actors (between 2002–2004 increasingly to non-state actors)</li> </ul>
	<ul style="list-style-type: none"> <li>• Rewards since 2006</li> </ul>	<ul style="list-style-type: none"> <li>• Neither rewards nor sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictions of assistance since 1997, sanctions since 2004</li> </ul>	<ul style="list-style-type: none"> <li>• Partial switch to conflictual approach and threat of sanctions in 2004</li> </ul>

This does not mean that the EU and the US go about democracy promotion in an identical way. For instance the US targets non-state actors to a greater extent and uses indirect ways of democracy assistance more actively than the EU, as for example during the Orange Revolution. There are also more general differences with regard to the actors' flexibility to react to changes in the domestic and international context. The EU's relations with third countries and its democracy promotion efforts are highly institutionalized and very much standardized, leaving the EU with little room for maneuver. By contrast, the US is much more flexible in its conduct of foreign policy. These differences are reflected both in the changing intensity of democracy promotion efforts over time and in short-term reactions to political changes on the ground. The EU has steadily developed its democracy promotion policy, strengthened its rhetorical commitment and increased its financial efforts since the early 1990s. The US has more strongly adapted its democracy promotion efforts to situational challenges, such as the 'historical opportunity' after the breakdown of the Soviet Union or the 'war on terrorism' after the events of September 11, 2001. In addition, the case of Ukraine prior to the Orange Revolution clearly demonstrates that the US was faster and more consistent in gradually resorting to a conflictual approach than the EU.

Irrespective of these differences, the reluctance of both actors to give up their cooperative approach and to resort to a clear-cut conflictual approach is striking. This even holds true when the cooperative approach fails as in the case of Tunisia, where all external democracy promotion efforts are blocked by the target regime. This could be explained by the importance of (the absence of) change in the political situation as a trigger for external actors to adapt their approaches. In a 'stable' country context, which is neither changing to the better nor to the worse, both actors stick to a cooperative approach (Morocco, Tunisia), even when it clearly limits their scope of action and a positive effect seems unlikely (Tunisia). By contrast, they react to changes of status quo, adapting their approach to democracy promotion in either direction on the occasion of 'democratic backlashes' or 'electoral revolutions' (Belarus, Ukraine). An alternative explanation for this observation could lie in regional differences. Due to the dynamic situation of the 'triple transition' and the 'Europeanness' of countries in the post-Soviet region, the US and the EU may have greater expectations and attach greater importance to the domestic political processes, leading to a more demanding and stricter approach to democracy promotion. With regard to the regional political environment, the overall poor democratic performance in the

Mediterranean region makes it more difficult for external actors to single out individual countries without calling their generally cooperative approach into question. In addition, the regions pose different foreign policy challenges such as maintaining stability in a volatile and conflict-prone region, the fight against terrorism, or the control of migration. Moreover, as the case of Belarus demonstrates, the prospects of success of a conflictual approach are vague and might not counterbalance potential costs.

Overall, the EU and the US seem to cope with this dilemma in semi-authoritarian regimes in a similar way. The recently introduced positive conditionalities create the opportunity to differentiate between more or less successful cooperation within a cooperative approach. As has been shown for the EU's Eastern enlargement, this strategy of 'reinforcement by reward' (Schimmelfennig and Sedelmeier 2005) strongly depends on the size, speed and credibility of the rewards on offer, leaving open the question of whether anything short of membership in regional organizations can serve as the 'golden carrot' (Magen 2006). It remains to be seen in how far the EU and the US can offer incentives attractive enough not only to reinforce and secure ongoing democratic reforms, but also to encourage democratic change where it seems most unlikely.

## Notes

1. Evaluations of the political situation in Morocco are included in the programming documents of the geographic cooperation programs and are an integral part of the ENP country and ensuing progress reports. Unfortunately, respective documents are not easily available for the 1990s.
2. Within the Mediterranean region, it is only one of the 'other' recipients, as Israel and Egypt alone receive more than 90 per cent of all US foreign assistance provided to the region (Sharp 2006: 7).
3. The annual 'Country Reports on Human Rights Practices' are prepared by the State Department since 1977 by the State Department.
4. In addition, the HRDF and especially MEPI have financed a number of regional programs which are not considered here.
5. This is the case in the European Parliament's resolutions of 29 September 2005, 15 December 2005, and 15 June 2006.
6. See the declaration by the Presidency on behalf of the European Union on the Presidential and Parliamentary elections in Tunisia on 26 October 2004.
7. Between 1991 and 1996 the EU provided €51.55 million through the TACIS program.
8. Council of the European Union (1997): Council Conclusions on Belarus, 15 September 1997.
9. See the declarations of the Presidency on behalf of the European Union on 18 October 2000, 14 September 2001, and 20 October 2004.

10. See the declarations of the Presidency on behalf of the European Union on 31 March 1998, 2 December 1999, 23 June 2000, 8 August 2000, 12 September 2000, 7 May 2001, 16 October 2002, and 20 October 2004.
11. Prior 2005 Belarus was not regarded a focus country of EIDHR. The EU however conducted some projects in Belarus funded by EIDHR such as training seminars. In 2005 €2 million were transferred from TACIS to EIDHR due to the difficulties described.
12. In fact at many instances measures towards Belarus have been well coordinated between both actors. See for example: Ursula Plassnik cited in: Presseausendungen der EU-Präsidentschaft Österreich, [www.ue2006.at/de/News/Press\\_Releases/June/0106Plassnik.html?month=4&day=1&null=](http://www.ue2006.at/de/News/Press_Releases/June/0106Plassnik.html?month=4&day=1&null=), date accessed 6 January 2006.
13. See, for example, Country Reports on Human Rights Practises from the years 1996, 2001, 2003, 2004, and 2006 that have been published by the State Department.
14. Only humanitarian, agricultural or medical goods have been excluded from the list.
15. See the declarations of the Presidency on behalf of the European Union on 5 February 2001, 16 September 2003, and 16 September 2004.
16. See the declaration of the Presidency on behalf of the European Union on 18 March 2004.
17. See the declaration of the Presidency on behalf of the European Union on 5 November 2004.
18. See the declaration of the Presidency on behalf of the European Union on 1 November 2005.
19. Own calculation based on different statistics of EuropeAid and the European Commission.
20. But also other issues, like apparent Ukrainian arms sales to Macedonia and Iraq, negatively influenced the relations between the US and Ukraine. On the positive side, the US for example highly valued Ukraine's support of the Iraq War.
21. However, FSA funding levels had constantly been sinking between 2000 and 2004, but this was rather due to the gradual phasing out of the FSA than to human rights concerns. In 2002, some assistance measures had been temporarily put off, which was justified with reference to the selling of arms to Iraq.
22. In 2003 \$55 million out of \$227 million US government assistance were devoted to democracy promotion. Accordingly, in 2005 the democracy assistance share accounted for \$62 million out of \$211 million USG funds.

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# 6

## Democracy or Stability? EU and US Engagement in the Southern Caucasus

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With the recent war over South Ossetia and Abkhazia, the Southern Caucasus has yet again become a focal point for international crisis mediating efforts. The 2008 flare-up of the Russian–Georgian conflict redirected international attention to a small, but strategically important region that forms part of the European Union’s (EU) and Russia’s near abroad, and, in which the United States (US) has important security and economic interests. The three states in the Southern Caucasus, Armenia, Azerbaijan, and Georgia, gained independence in the aftermath of the Soviet collapse in 1991. Since then, both the EU and the US have sought to intensify their relations with these countries in order to support their post-communist transitions in democracy, market-based economy and stateness. Yet compared to other post-Communist regions, such as the Central Eastern European countries (CEEC), the Southern Caucasus seriously suffers from bad governance. As arbitrary rule and pervasive corruption are common in all three countries, they have been subject to external actors’ comprehensive attempts in promoting substantial reforms.

This chapter aims at shedding light on how and with whom the EU and US have been seeking to promote their reform goals in the Southern Caucasus. More specifically we ask how both actors have resolved the seemingly tension between the goals of promoting democratic reform and institutional stability at the same time. Following Girod, Krasner, and Stoner-Weiss, we adopt a broader perspective on the issue by placing democracy promotion in the more general context of the EU’s and the US’s attempts to export good governance. The broader notion of good governance allows us to place the EU

and US engagement by assessing the relative importance of democracy promotion in comparison with state and institution-building efforts pursued by the two actors. It furthermore takes into account that democracy, stateness, and development are inextricably linked to each other.

In general, our analysis will show that state and institution building is the main focus of both EU and US activities in the region. Although, the US puts more emphasis on democracy than the EU, which is not only more state-centered in its approach but focuses on strengthening the effectiveness rather than the democratic quality of state institutions. Even more interesting, however, is a closer look on how the two external actors' approaches in the region have evolved over time and whether changes in the political context of the target country have led to changes in the approach.

In order to understand the EU and US actions it is equally important to cast a look on the instruments of promoting good governance available to and displayed by them. When it comes to the toolbox, our analysis shows that the US and the EU rely in equal measure on assistance (capacity-building) and political dialogue (persuasion). Furthermore, if they choose to invoke conditionality, they also share a preference for rewards over sanctions. In both cases, we have found little evidence of coercive or otherwise punitive actions being invoked to compel reform. Most interestingly, the EU has increasingly sought to institutionalize the use of conditionality and political dialogue, which renders its approach less flexible and more incremental. The US, by contrast, has used political dialogue and sometimes even the (threat of) conditionality as part of their formal and informal diplomacy. This lack of institutionalization has allowed the US to respond much more quickly and flexibly to a changing political situation.

To state our argument, the first part of this chapter develops an analytical by discussing the two dimensions of democracy and statehood. In the next section we will identify four ideal types of good governance approaches available to the EU and US that allow us to position their activities with regard to these two dimensions. In addition, we shortly discuss the instruments, or logics of influence, through which good governance can be promoted. Part three compares how the EU and the US have sought to export good governance to the Southern Caucasus in general and the cases of Georgia and Azerbaijan in particular. We restrict our analysis on these two countries for they constitute most different cases with regard to the dimension of democracy and, to a lesser extent, that of statehood.

## Good governance and democracy

While good governance has gained prominence in the literature, the concept remains ill defined and contested.<sup>1</sup> In order to structure the existing concepts of good governance, we adopt a broad understanding of *governance* as institutionalized modes of coordination through which collectively binding decisions are adopted and implemented (Mayntz and Scharpf 1995; Scharpf 1997). A first analytical cut can be made by distinguishing different normative contents of good governance.

On the one part, studies informed by developmental considerations largely associate good governance with the setting of a sound administrative and regulatory framework, mainly provided by the state (Adam 2001; Fuster 1998). This notion concentrates on output-oriented principles of good governance such as increasing efficiency and effectiveness, which translate into sound public financial management or the fight against corruption – principles that aim at making policies more predictable and effective (cf. Conzelmann 2003; Fuster 1998; Hill 2006).

On the other part, however, studies that have profound intersections with the literature on democratization and external democracy promotion, attach a wider political connotation to good governance (Tolentino 1995). In this latter sense, good governance also encompasses the more demanding principles relating to input-oriented principles, such as the respect for human rights and democracy (cf. McFaul 2004–2005; Carothers 2004; Burnell 2000). Both perspectives are linked by paying attention to the rule of law as a safeguard of institutions in both dimensions (König 2001; Magen and Morlino 2008).

This chapter adopts a broad perspective on good governance that integrates the two strands of literature by using the two dimensions of legitimacy as an analytical tool. Thus in a first step, our analytical framework draws on the distinction between the two aspects of legitimacy that were formulated by Fritz W. Scharpf – input and output legitimacy (Scharpf 1999). Output legitimacy corresponds to the narrow (regulatory) understanding in the developmental literature, whereas input legitimacy is equated with the wider (political) concept of good governance dominant in the literature on democratization and democracy promotion.

Put differently, output legitimacy refers to the extent to which the effects of political decisions are perceived to be in the interest of the people. In this view, good governance is about solving societal problems in an effective and efficient manner. Input legitimacy, by contrast, requires political decisions to correspond to the preferences of the

people it impacts. Accordingly, the notion of good governance must ensure that the preferences of the people are translated into political decisions based on the principles of participation and accountability.

## **Good governance and statehood**

A second analytical cut concerns the role of the state in relation to that of civil society in promoting good governance. The emergence of good governance in the development debate at the end of the 1980s marks a paradigm shift from “getting the market right” to “getting the institutions right” (Fuster 1998; see also Menzel 1995). The creation of a regulatory environment is a decisive precondition for achieving sustainable development to be complemented by the effective and purposeful management of primarily economic resources. Finally, functioning state institutions are key to ensure the delivery and safeguarding of the rules of the game as well as the effective management of public resources (Hill 2006; Theobald 2001). Consequently, the state and its administrative capacities play a crucial role in the good governance debate (Dolzer 2004; Murphy 2002; Pierre 1999).

At the same time, however, there is growing scholarly interest in the role of non-state actors in governance. On the one hand, state failure and the absence of hierarchy in international politics raised the question, whether “new modes of governance,” i.e. patterns of cooperation between state and non-state actors offer an alternative to hierarchical and monopolized decision-making (Risse and Lehmkuhl 2007). The main assumption of this kind of research is that the pooling of resources of state and non-state actors such as interest organizations or private businesses might contribute to an efficient, effective, and even inclusive formulation and implementation of collectively binding norms (Héritier 2003). At the same time, non-state actors can foster the legitimacy of governance, “hold governments accountable” and “form the base upon which a truly democratic political culture can be build” (Ottaway and Carothers 2000: 4). Thus, the literature on international democracy promotion focuses on the specific role of non-governmental organizations (NGO), political parties, and independent media as well as prospects and limitations to strengthen such (domestic) actors from the outside (cf. Mendelson and Glenn 2002; Carothers 2006; Raik 2006).

The distinction between state and non-state actors and their respective roles in debate on promoting governance resonates with the focus of this volume on the pathways of influence (see the introductory chapter, this volume, by Magen and McFaul).

Thus, depending on which actors they focus on, external actors seeking to promote good governance may use two different channels of influence (Schimmelfennig 2007; Diez et al. 2006). They can choose the way of “intergovernmental interaction.” Or they can seek to trigger and influence domestic reform processes “through transnational processes via societal actors in the target state” (Schimmelfennig 2007: 6). Using the intergovernmental channel, external actors either hope to alter the preferences of target governments over strategies by manipulating their cost–benefit calculation. Or they aim to change preferences of outcomes of governments by socializing them into new norms through processes of social learning and persuasion. The transnational approach targets domestic non-state actors in order to empower them vis-à-vis their governments in pushing for political reforms (Schimmelfennig 2007: 7).

### **Approaches and instruments of promoting good governance**

Based on the two dimensions described in the previous section, we can develop an analytical framework in order to qualify the EU’s and US’s attempts to improve the governance structures and processes in third countries. Accordingly, we assume that both actors, on the one hand, can choose between different contents of good governance – placing stronger emphasis on either input or output-related reform goals. On the other hand, they can invoke different channels of influence, either targeting the intergovernmental channel (state actors) or the transnational channels (non-state actors). Combining these two analytical foci, we arrive at a two-by-two matrix that allows us to differentiate between four ideal-type approaches of good governance promotion available to the EU and the US.

The first approach of *effective government* addresses the *intergovernmental* channel and seeks to promote *output-oriented* objectives, focusing on the administrative core of good governance. This essentially entails improving governance through strengthening the government and its administration. The second approach of *effective governance* places emphasis on *output-oriented* reform goals as well, but at the same time either aims at including non-state actors in the implementation process in order to produce better policies by pooling resources and increasing acceptance. Or it tackles the building and strengthening of non-state organizations that help better implement policies. The third approach of *democratic government* again relies on the *intergovernmental* channel. However while promoting *input-oriented* objectives, the external actor

targets the state to have it establish and safeguard a public sphere in which interests can be articulated and aggregated. Finally, the fourth approach of *democratic governance* combines the *transnational* channel with *input-oriented* reform objectives. This approach wants to empower non-state actors in the making of public policies in order to improve the democratic quality of decision-making processes. Table 6.1 summarizes the available types of good governance approaches.

Finally, the EU and US can employ four different instruments or logics of influence to make their targets (state or non-state actors) comply with their major goals (increasing input or output legitimacy). Following the compliance literature, these instruments are directly related to the “nature of the problem.” The so-called “management school” indeed emphasizes lacking capacities as the main problem of compliance, which can be addressed by transferring financial and technical resources (Chayes and Chayes 1993; Chayes et al. 1998). Enforcement theories, by contrast, contend that states predominantly lack the will to comply with external requirements since they imply high costs, both economic and political. External actors can either induce recalcitrant states into compliance by offering negative (sanctions) and positive (rewards) incentives (Downs 1998; Fearon 1998). Or they can seek to change their preferences through socialization processes based on persuasion and social learning (Checkel 2001; Risse 1999). Lastly, the use of military force is an extreme case aiming at regime change, rather than altering the behavior of state and non-actors through other instruments. Accordingly, the toolkit of external actors consists of: coercion (military force), positive and negative incentives (conditionality), persuasion (political dialogue) and capacity-building (assistance) (cf. also, this volume, the introductory chapter by Magen and McFaul and Chapter 5 by van Hüllen and Stahn).

In sum, the distinction between the four different approaches allows us to place democracy promotion in the broader context of good governance export. As our comparative study of Georgia and Azerbaijan will show, the EU and the US both put heavy emphasis on strengthening

Table 6.1 Four approaches of external good governance promotion

	Output	Input
Intergovernmental	Effective government	Democratic government
Transnational	Effective governance	Democratic governance

Source: Borzel et al. (2008)

state institutions. While the US complements the promotion of effective government with democratic governance, the EU remains state-centered seeking, if at all, to improve democratic government.

### **Promoting good governance in the Southern Caucasus**

In order to turn its “near abroad” into a “ring of friends” (European Commission 2003a: 4), the EU developed a European Neighbourhood policy (ENP), in which good governance has increasingly gained prominence (Börzel et al. 2007). As in the case of Ukraine and Belarus (cf. Chapter 5, this volume, van Hüllen and Stahn), the Southern Caucasus countries form part of the “Eastern dimension” of the ENP. The ENP, however, evolved in several steps each envisaging a deepening of relations with the successor states of Soviet Union including those of the Southern Caucasus. Simultaneously, the set of instruments at the EU’s disposal subsequently expanded from mere technical assistance at the beginning of the 1990s into the comprehensive foreign policy toolkit a decade later. Lastly, the EU’s demand for improving governance and fighting corruption in the respective countries has also grown significantly over the past years.

After the break up of the Soviet Union, the EU was quick to recognize its successor states – including Armenia, Azerbaijan, and Georgia. In order to support the Newly Independent States (NIS) in coping with the consequences of the “triple transition” (Offe 1991) in democracy, market, and stateness, the EU in the first place concentrated on the support for their institutional capacity-building and advancement of economic reforms through TACIS.<sup>2</sup>

In a second step, the EU sought to formalize its relations with the TACIS countries. Hence in the period between 1997 and 1999 nine bilateral Partnership and Cooperation Agreements (PCA) entered into force. With minor variations, these agreements were designed to further support the transition of the NIS to efficient and effective state institutions, fully fledged market economies and, to a lesser extent, to liberal democracies (cf. Hillion 2000; Petrov 2002). The further institutionalization of relations brought about a significant change with regard to the instruments available to the EU. Similarly to its other regional foreign policy frameworks, the EU established a regular political dialogue on different levels and formulated conditionality criteria. However, while both democracy and human rights are subject to negative conditionality, good governance is not. Assistance through TACIS remained in place and primarily aimed at supporting the implementation of the

PCAs through capacity-building measures. Technical and financial assistance continued to be provided mainly through the intergovernmental channel strengthening the capacities of state actors and, thus, supported effective rather than inclusive policy-making. In sum, the predecessor policies of the ENP first and foremost sought to enhance *effective government* (cf. Börzel et al. forthcoming).

Eastern enlargement triggered the third step in the evolution of the external promotion of good governance in the NIS. The ENP can be understood as an attempt of the EU to provide financial and economic incentives in order to facilitate ambitious economic and political reforms in the post-Soviet countries. Jointly agreed Action Plans (AP) that copy the logic of the accession partnerships in the EU's enlargement policy are at the institutional core of the ENP (cf. Kelly 2006; Magen 2006). The documents formulate short- and medium-term reform priorities, the implementation of which is monitored and discussed regularly in the political dialogue. Those countries that fulfill these obligations may be rewarded with closer cooperation, for instance, through lifting trade restrictions or simplified visa regimes. Negative conditionality, by contrast, has neither been strengthened nor specified. With the introduction of the AP, good governance has become an explicit goal of the cooperation between the EU and the Southern Caucasus states. While increasing output legitimacy still features prominently in the AP, they also embrace reform measures ensuring democratic and inclusive decision-making. Moreover, since 2004, the EU has increasingly required ENP partner governments to consult and cooperate with non-state actors and civil organizations in the formulation and implementation of the national reform agendas (cf. European Commission 2004a, 2006a, 2007a). This can be interpreted as a cautious opening of the transnational channel.

In the fourth and most recent step, the EU replaced TACIS with a new assistance program, the European Neighbourhood and Partnership Instrument (ENPI).<sup>3</sup> Like TACIS, the ENPI is intended to support domestic change by tying financial incentives to the implementation of reform priorities specified in the AP. It further strengthens positive conditionality by establishing a so-called governance facility that rewards progress in implementing these reforms. Moreover, ENPI formally envisions the stronger use of the transnational channel. The engagement of non-state actors aims at increasing the efficiency and effectiveness of the EU reform agenda rather than ensuring participative decision- or even policy-making as such. Thus, the introduction of ENP has to some extent broadened the good governance promotion by the EU towards



*democratic government*, on the one hand, and *effective governance* on the other. Nevertheless, the promotion of *effective government* still remains the main focus of the EU's approach (cf. Börzel et al. forthcoming). Moreover, since 2004 the EU has further expanded its toolkit for the promotion of good governance. Capacity-building through assistance has remained the most prominent logic of influence. However, with the subsequent deepening and institutionalization of the relations between the EU and its neighbors, political dialogue and (positive) conditionality<sup>4</sup> have gained far greater importance compared to the pre-ENP period. The "one size fits all" approach that has evolved at the regional level sets the institutional framework within which the EU seeks to promote democracy in the Southern Caucasus.

As in the case of the European Union, the United States (US) was quick to officially recognize the successor states to the Soviet Union. In fact, the US administration was the first Western government to open embassies in the Newly Independent States (NIS) of Armenia, Azerbaijan and Georgia.<sup>5</sup> Moreover, US good governance promotion efforts started almost immediately after the dissolution of the Soviet Union. From the very beginning US engagement aimed at seizing the "once in a century opportunity" (White House 1992) to advance democratic and liberal values in the post-Soviet space.

In contrast to the EU, however, the US lacks a comprehensive policy framework for the promotion of good governance and the application of instruments for that purpose (cf. Chapter 5, this volume, by van Hüllen and Stahn). It has neither relied on bilaterally agreed conditionality nor established an institutionalized regular political dialogue. Both instruments are largely tied to the conduct of diplomacy. Moreover, compared to the formalized relations of the EU, US foreign policy has been much more ad hoc, influenced by specific interests and political developments on the ground (Baran 2001; Shaffer 2003; Starr 1997). Therefore, it is difficult to generalize to what extent the US has made use of conditionality and political dialogue in order to pull and push for governance-related reforms.

Assistance and conditionality related to assistance have been the most visible instruments of the US for the promotion of good governance in post-Soviet states. Similar to the EU, the US issued a large assistance package shortly after the dissolution of the Soviet Union. In 1992, President George H. W. Bush signed the *Freedom Support Act*<sup>6</sup> (FSA) into law, which up to the present – together with the *Foreign Assistance Act* and the *Silk Road Strategy Act* – provides the main legal framework for US state assistance to the NIS.<sup>7</sup> To advance liberal democracy and

market-based economy, and encourage trade and investment in the post-Soviet space, the FSA authorized a \$12 billion increase in US contributions to the International Monetary Fund (IMF) and additionally provided \$410 million for bilateral assistance to all NIS (Bush 1992). Since 1992, the United States has provided more than \$28 billion in assistance to the 12 Newly Independent States in humanitarian aid, support for their transition to democracy and market economy, and for controlling the proliferation of weapons of mass destruction. Over time, however, the US has differentiated its approach with regard to the various regions within the former Soviet Union, as well as vis-à-vis individual NIS.<sup>8</sup>

Since political reforms and democratization in the NIS did not keep up with the developments in the Central Eastern Europe countries, the US administration has increasingly resorted to the strategy of “selective engagement,”<sup>9</sup> affecting the quality of diplomatic relations and the levels of military and development assistance. For instance, Armenia, Georgia, and the Kyrgyz Republic have received exceptionally high levels of funding compared to other NIS.

The strategy of “selective engagement” has also allowed for greater flexibility with regard to the channels of influence. While in general, the US engage with non-state actors to a greater extent than the EU, early US good governance promotion efforts in the NIS targeted state actors and institutions in equal measure (US Department of State 2001). However, at the end of the 1990s the US significantly stepped up their efforts to promote *effective* and *democratic governance* by seeking to involve civil society and companies in domestic reform processes. The “willingness to reform” of the respective NIS governments has increasingly decided over whether the US stuck with strengthening government institutions (*effective* and *democratic government*) or switching to support the “grassroots level” (US Department of State 2001: 2).

Beside capacity-building, conditionality linked to assistance has been an important part of the US good governance promotion. Under the FSA, the provision of assistance to governments has been made conditional upon a set of specific criteria, spelled out in detail in §2295a of the legal act. The first subsection of the paragraph makes explicit reference to democratic commitments:

[T]he President shall take into account ... also the extent to which that independent state is acting to (1) make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual free-

doms, and representative government determined by free and fair elections... (FSA: §2295a)

Furthermore, the paragraph indicates specific cases, in which a recipient state would not be eligible for assistance in cases of gross violations of internationally recognized human rights or international law, of effective implementation of arms control obligations, and of compliance with the Missile Technology Control regime (cf. FSA: §2295a).

In 2004 the US government further strengthened assistance-related conditionality by establishing the Millennium Challenge Account (MCA). The MCA provides additional funds to countries that reached a certain level of democratization and good governance (cf. Chapter 3, this volume, by Girod, Krasner, and Stoner-Weiss). Compared to the governance facility of the EU, however, the MCA relies on transparent way of rewarding countries using clear criteria and indicators.<sup>10</sup> Countries meeting these criteria either qualify for a threshold or a multi-year compact agreement and receive substantial funding mainly for economic development.

In sum, the US and the EU have chosen a similar approach to promoting good governance in the Southern Caucasus, though the EU framework is much more formalized. Both actors largely rely on assistance and political dialogue. While they have the possibility to invoke negative conditionality with regard to the bilateral relations and assistance, the EU and US have focused on strengthening positive conditionality. The two differ more with regard to the default channels and approaches. While both closely work with governments, the US tends to engage with non-state actors to a greater extent than the EU. While the EU largely focuses on effective government, *effective governance* and *democratic governance* have become an integral (in the sense of complementary instead of supplementary) part of the US approach.

The next section will explore to what extent the EU and the US have adopted similar approaches in seeking to promote good governance at the country level. For reasons of scope, we focus on Georgia and Azerbaijan, which differ the most with regard to their statehood and democracy. All three Southern Caucasus states have been plagued by high levels of corruption and low government effectiveness (cf. Kaufmann et al. 2003; Kaufmann et al. 2006). Azerbaijan appears to be in most urgent need for improving governance. Georgia performs better, particularly since the Rose Revolution, albeit on a comparatively low level. Although the Southern Caucasus states equally envisioned a Western-style democracy as the basis of their form of government,

none of them can be considered a consolidated democracy. The degree of democratization, however, varies considerably between the three countries. Georgia has made most progress. Azerbaijan and Armenia, by contrast, appear to be “stuck in transition” (Pamuk 2008). Whereas Armenia constitutes a semi-authoritarian regime, Azerbaijan is still on the verge of authoritarianism.<sup>11</sup>

## Azerbaijan

### EU engagement

The EU was among the first to set up a framework for development cooperation with the newly independent states of the former Soviet Union. The EU’s engagement in Azerbaijan, its largest trading partner in the Southern Caucasus, was hedged by its two main development programs for the Eastern dimension: the TACIS program implemented between 1992 and 2006, and ENPI that replaced TACIS in 2007. Until 2006, Azerbaijan received a total of €409.16 million under the various EU programs.<sup>12</sup> In the early 1990s assistance to Azerbaijan focused on humanitarian aid, food programs, and the local infrastructure. However, in 1998 the EU began to target public sector reforms and the development of the private sector.

Since 1998 the EU’s approach in promoting good governance materialized in terms of institutional, legal, and administrative reforms and the support for the development of the country’s private sector and economy. Assistance to Azerbaijan served the purpose of enhancing institutional capacities of the post-Soviet state to cope with the ongoing transitions in economy and stateness. Transition in democracy was provided for to a much lesser extent. As the EU placed strong emphasis on output criteria and mainly addressed the intergovernmental channel, the EU’s default approach was promoting *effective government*.

In 1999, the PCA between the EU and Azerbaijan came into force. It brought a new quality to the bilateral relations by introducing the principles of democracy, human rights, and free market economy as essential elements.<sup>13</sup> The agreement also institutionalized a political dialogue between the EU and the Azerbaijani authorities, which facilitated the exchange of views on specific governance-related objectives and implementation issues. Political dialogue in Azerbaijan, however, was mainly organized in terms of a policy dialogue within the sub-committee on trade, investment, and related legal issues. In July 2003, the European Council appointed a EU Special Representative to the South Caucasus who introduced political dialogue on reforms in the areas of rule of law,

democratization, human rights, and good governance as an element of the diplomatic relations. Finally in 2004, the EU launched a high-level dialogue on energy and transport in the Black and Caspian Sea regions. In the follow-up, a second sub-committee on energy and transport was established in 2005. Since then, the EU's increasing efforts in developing Azerbaijan's energy sector have become part of its good governance approach (European Commission 2003c).

Governance-related objectives were to be implemented through the new TACIS program that had been refurbished for this purpose in 1999. Assistance continued to constitute the default instrument of the EU's efforts to promote good governance. Nonetheless, as specific objectives were spelt out within the political dialogue and – at least formally – made conditional on essential elements, assistance has been closely linked to the other two instruments.

The EU's approach to good governance mainly continued to rely on the intergovernmental channel. Accordingly, the main beneficiaries of TACIS assistance were ministries and state regulatory agencies. Moreover, TACIS national allocations between 2002 and 2006 were dedicated to the development of the Azerbaijan European Policy and Legal Advice Centre. This centre was designed to support the government in implementing the reform objectives stipulated in the PCA, which focused on the country's regulatory framework and legal harmonization with the European *Acquis Communautaire* (European Commission 2001a, 2003c).

The strong emphasis on output-related objectives and the use of the intergovernmental channel were further pronounced by the fact that, until 2008, the EU did not implement its *European Initiative for Human Rights* (EIDHR).<sup>14</sup> EIDHR particularly aims at strengthening the capacity of non-state actors and seeks to promote input-related objectives (*effective and democratic governance*). Non-state actors were supported only to a very limited extent through small-scale programs under the TACIS *Institution Building Partnership Programme* (European Commission 2003c).

In principle, TACIS narrowed good governance down to the fight against corruption. In fact corruption was identified as major problem, which Azerbaijan was to tackle more assertively in order to realize good governance (European Commission 2001a). It is worth noticing that the fight against corruption was closely linked to the top reform areas: economic management and business climate (European Commission 2003c: 3). Accordingly, good governance was regarded as indispensable in order to establish "institutions and the rule of law conducive to a market-based economy" (European Commission 2003c: 7).

Democracy and human rights, by contrast, did not figure prominently in the EU's attempts to promote good governance in Azerbaijan. Neither did TACIS place a strong focus on input-related reform objectives, nor did it seek to involve civil society or formally require the Azerbaijani authorities to do so.

In sum, for the first 15 years, the EU's approach to good governance in Azerbaijan almost exclusively materialized in terms of *effective government* promoted through assistance and political dialogue. The EU did not make the provision of assistance to Azerbaijan conditional upon specific reform objectives or the involvement of civil society actors. The Partnership and Cooperation Agreement stipulates a general essential elements clause, but conditionality had not been invoked in Azerbaijan.

In 2005, a new phase of the EU's good governance promotion in Azerbaijan was heralded by an assessment of the country's political, economic, and social situation. This report proved much more assertive in voicing criticism with regard to the weak governance performance of the Azerbaijani state institutions, related to both input and output legitimacy. It pinpointed shortcomings in elections, the serious lack of separation of powers, and persisting human rights problems. The primary focus, however, remained on corruption (European Commission 2005a).

The EU partly acknowledged Azerbaijan's efforts in promoting good governance. It welcomed the ratification of international anti-corruption documents. Nonetheless, the existing legal provisions were deemed insufficient to fully meet international standards and deficits in legal enforcement were criticized. In sum, the Commission demanded further state action in the public sector management and regulatory framework (European Commission 2005a).

The priority areas formulated in the bilaterally agreed Action Plan of 2006 reflected these desiderata.<sup>15</sup> They comprised a range of country-specific recommendations, including transparency in the management of oil revenues and the privatization process. None of the priority areas made reference to good governance directly. Yet, they featured various governance-related issues. Some reform objectives referred to the strengthening of democratic institutions, mainly in terms of strengthening the separation of powers. Others addressed the principle of the rule of law, e.g. by ensuring the independence, impartiality, and efficiency of the judiciary, and the development of the civil society sector by promoting its organized forms and demanding the government to alleviate cumbersome registration procedures (AP AZ 2006).

In addition, the EU required the government of Azerbaijan to implement electoral reform and conduct democratic elections in full compliance with international standards. The call for electoral reforms and democratic elections, however, remains a rather formal aspect, as it is neither targeted by specific measures, nor made conditional for EU assistance (*ibid.*).

As to the channels of influence, the Action Plan remained mostly state-centered. The involvement of civil society was required only in the context of conflict resolution, environmental policies, and education. Thus, the core of the EU's approach in promoting good governance continued to be intergovernmental.

In 2007, the European Neighbourhood Policy Instrument (ENPI) was introduced and the Commission allocated €92 million for 2007–2010. The programming document further elaborated on the objectives of the Action Plan. The strengthening of democratic development and good governance was addressed within the area of political dialogue and reforms (European Commission 2006b). For the most part, ENPI continues to put strong emphasis on output rather than input-related objectives, in particular with regard to the cooperation in specific sectors such as energy and transport.

The ENPI reform agenda is to be carried out in cooperation with state institutions mainly. However it also allows for greater involvement of civil society actors. This time, civil society organizations had been consulted during the development of the ENPI strategy on the part of the EU. The document also explicitly stated that the growth of civil society was regarded indispensable to ensure democratic development and announced future projects with local administrations and civil society organizations (European Commission 2006b: 3 and 27).

This opening towards civil society was mostly triggered by the growing importance of transnational approaches within the ENP framework (European Commission 2003d, 2004a, 2006c). Although this trend translated into the relations with Azerbaijan, it remained comparatively weak.

In a nutshell, the EU has largely stuck to its *effective government* approach. The introduction of projects targeting community-based and civil society actors, however, indicates a (slight) shift towards the transnational channel. The reform objectives remain mostly output-related. Input-related objectives are increasingly formulated, even though in a more or less formal manner. To what extent the EU will make supplementary use of *effective governance* or *democratic government* in its future relations with Azerbaijan remains to be seen.

Apart from assistance, the EU's default instrument for promoting good governance; political dialogue has been stepped up over time. It takes, however, mostly the form of a "policy dialog" on issues of trade, energy, and transport. The EU strengthened negative and positive conditionality by introducing a suspension clause and the governance facility, although sanctions remain a formal instrument, as they have never been invoked so far.

### US engagement

The US approach to Azerbaijan in the early years of independence was of a rather ad hoc nature (Baran 2001; Shaffer 2003; Starr 1997). Similarly to the EU, the first activities funded by the US included humanitarian assistance programs implemented by international organizations, such as the World Food Program or the "Save the Children" umbrella grant (US Department of State 1996, 1997, 1998, 1999).

Furthermore, in the early 1990s the US did not attach the same strategic role to Azerbaijan as it did in later years (Shaffer 2003; Talbott 1997). Azerbaijan's energy resources were mainly regarded important for the independence and economic development of the Caucasus region rather than of national interest for the US (Shaffer 2003). Whereas the US administration pursued closer ties with Georgia (Tarnoff 2007), its relations with Azerbaijan were hampered by US Congress' stance on the Karabakh conflict. The political pressure of Armenian diaspora organizations caused the Congress to adopt Section 907 of the *Freedom Support Act* in 1993 (Goltz 1997). Hence until October 2001, when the section was finally repealed by the US Congress in response to the events of 9/11, this amendment prohibited any direct US assistance to the government of Azerbaijan. As a consequence US good governance promotion through assistance was initially limited to the use of the transnational channel.<sup>16</sup>

FSA funding for Azerbaijan was much smaller compared to Georgia (US Department of State 1996, 1997, 1998, 1999). During the 1990s, the US projects mostly consisted of technical assistance to political parties, independent media, as well as grants to encourage the development of local civil society organizations (Tarnoff 2007). In contrast to the EU, the measures included output as well as input-related objectives. For instance, in the run-up to the 1995 parliamentary elections, several projects targeted local NGOs in order to support their participation in the pre-electoral (monitoring) process (US Department of State 1996). Input-related programs from 1995 to 2000 were mostly implemented by US-based NGOs, such as the National Democratic Institute (NDI), or



the Initiative for Social Action and Renewal in Eurasia (US Department of State 1997).

By the mid-1990s, the US began to take a more assertive stance on Azerbaijan, when the second Clinton Administration increasingly attached importance to economic and security interests in the region (Shaffer 2003; Sherwood-Randall 1998; Talbott 1997).

First, this was a response to growing security concerns in the Caucasus due to the Russian military interventions in Abkhazia in 1993 and in Chechnya in 1994. Second, US oil companies increasingly began to invest in the region to ensure access to its energy resources and high ranking analysts and political advisers to the US administration underlined the pivotal role of Azerbaijan as the future energy hub of the Caspian region (Brzezinski 1997). The US administration sought to extend its political and economic influence in the Southern Caucasus (Shaffer 2003). This change in attitude was also reflected by the appointment of a Special Adviser to the President and the Secretary of State for Caspian Basin Energy Diplomacy (The White House 1998).

Although the Clinton Administration did not succeed in repealing the ban on direct US assistance to the Azerbaijani government, it managed to increase the amount of assistance to Azerbaijan. As a result, provisions of the financial years (FY) 1998 and 1999 further eased the restrictions by extending democracy assistance and providing exemptions for business aid (US Department of State 1998, 1999). Additionally, since 1999, US assistance geared up towards promoting the development of a small-business sector in Azerbaijan.

Altogether, US good governance promotion in Azerbaijan during the early 1990s mainly took the form of technical assistance (expert advice and associated material support) and small-scale grants to local NGOs. The objectives included input as well as output criteria. Input-related objectives mainly sought to improve the electoral process. At the same time US assistance provided support for the institutional capacity of the civil society sector. Towards the end of the 1990s, US assistance increasingly began to include economic and business development programs as well.

Hence, whereas the EU had almost exclusively focused promoting *effective government*, the US approach pursued a complementary approach of *effective and democratic governance*. Like the EU, assistance and political dialogue constituted the US default instrument in promoting good governance in Azerbaijan. While less formalized, a US–Azerbaijani dialog was established in 1996 to deal with security concerns and subsequently expanded to governance-related issues (Aliева 2000; Nichol

2008). Conditionality, finally, played only a marginal role with regard to good governance. The ban on direct US assistance to the Azerbaijani government constitutes a form of *ex ante* conditionality. However, it was confined to the Karabakh conflict and not related to democracy or good governance per se (cf. Section 907).

Throughout the 1990s, the US approach to the Southern Caucasus mainly included objectives that were “nice-to-haves” (Oliker and Szayna 2003: 248). The events of 9/11 shifted the US policy to a much more assertive policy of “need-to-haves” (Oliker and Szayna 2003: 248). In the aftermath of the events, Azerbaijan and Georgia became an important component of the “Greater Middle East” and “war on terrorism” strategy of the US (Olcott 2002; Shaffer 2003). Both states had announced their full cooperation with the US well before Armenia had done so. In response, the US Congress finally repealed the sanctions on Azerbaijan in October 2001.

September 11 triggered a change in the US approach to Azerbaijan, as the US increasingly considered the success of its fight against terrorism to depend on a comprehensive strategy, including military strength, institutional stability, and democratic accountability. Likewise, democracy promotion became an instrument for combating terrorism (Epstein et al. 2007). Based on the assumption that legitimacy required democracy on the political side and prosperity on the economic side (Tamrazian and Aliyev 2006), the US stepped up its assistance to the Azerbaijan state institutions with regard to the output- and input- dimension. Input was fostered by the support to the development of an independent judiciary. In addition, FSA funded technical assistance to the drafting of the electoral code (US Department of State 2002, 2003).

Output-oriented assistance focused on the capacity-building of government actors in the formulation and implementation of efficient and effective policies. FSA assistance paid particular attention to the drafting of the state program on anti-corruption (US Department of State 2004).

Hence, in the beginning of the twenty-first century, the US approach to promoting good governance in Azerbaijan moved away from its initial *effective* and *democratic* governance towards a stronger emphasis on *effective* and – complementary – *democratic government*. Similarly to the 1990s, assistance remained the primary instrument. However, public diplomacy, including political dialogue, was stepped up considerably.

Yet, the complementary promotion *effective* and *democratic government* represented a short-lived intermezzo. Since the Azerbaijani presidential elections in 2003 and the parliamentary elections in 2005 seriously

failed to comply with international democratic standards, the US seems to have increasingly withdrawn from its attempt to address intergovernmental channels in order to promote input-related objectives (*democratic government*). However, rather than shifting back to the initial focus on strengthening the role of civil society in elections and the electoral process (*democratic and effective governance*), US good governance promotion has conformed to the EU's approach of *effective government*.

The funding of FY 2006 is a case in point. Genuinely input-related programs that target the transnational channel merely include small-scale projects as for instance assistance to local election monitoring organization (US Department of State 2006). Moreover, transnational programs formulate for the most part output-related objectives, e.g. training seminars for lawyers, prosecutors, and judges to enhance their legal profession, the capacity-building of the NGO sector, as well as projects aiming at the community-level citizen "that work on creating collaboration between citizen and their local government" (US Department of State 2006).

The intergovernmental channel, by contrast, was further stepped up by new projects. For instance, similarly to FY 2003, US assistance included the fight against corruption, providing technical support to the State Commission on Anti-Corruption, as well as its the Legislation Working Group. Funding was also provided to legal advice centers and operational NGOs receiving training in advocacy skills (US Department of State 2006).

The stronger emphasis on *effective government* is mostly driven by the US concerns for its energy security. On 22 March 2007, Secretary of State Condoleezza Rice and the Azerbaijani Minister of Foreign Affairs signed a memorandum of understanding for a dialogue on energy security in the Caspian region. A series of recent visits of senior officials to Azerbaijan, including Vice-President Dick Cheney in 2008, have sought to advance the US interest in regional stability and global energy security.<sup>17</sup>

In sum, overtime the US abandoned its initially mixed approach of promoting *effective* and *democratic governance*. Since 2004, the default approach focuses on *effective government*, which is complemented – although on a much smaller scale – by *democratic governance*. Compared to the EU, the US still attributes more importance to the use of the transnational channel. Furthermore, input-related reform objectives, such as the electoral process, still play a significant role. Finally, the US has covered a wider range of engagement strategies that have been more flexible and dynamic as well as more intrusive than the strategies of the EU.

## Georgia

### EU engagement

As in Azerbaijan and other post-Soviet countries, EU engagement in Georgia started with the provision of assistance through the TACIS and additional aid programs.<sup>18</sup> In the early 1990s, Georgia was plagued by civil war and political turmoil which resulted in a low share of TACIS funds compared to other sources of assistance that responded to the most immediate needs of the population, such as the provision of food and other forms of humanitarian assistance. Between 1992 and 1998, the TACIS program focused on the following areas: privatization, the development of financial and capital markets as well as enterprises, agriculture, transport and energy (European Commission 1998). The major rationale was to increase planning and policy implementation capacities of state agencies, but also newly established or recently privatized enterprises. In general, EU engagement in Georgia during the 1990s corresponded to an *effective government* approach primarily promoted through assistance.

In 1999, the Partnership and Cooperation Agreement (PCA) between the EU and Georgia entered into force and significantly expanded the toolkit of the EU and the depth of its relations with Georgia. As with other Newly Independent States (NIS), political dialogue has been institutionalized and subsequently expanded. Additionally, the EU introduced safeguard clauses on the state of the democratic development, the rule of law and human rights. The focus on output-related reforms to be carried out by the government prevailed at this stage. Compared to Azerbaijan, the PCA displays only minor variation in scope and issues. Until 2003, assistance remained the most important instrument to promote good governance in Georgia. First of all, the EU identified a “paramount” (European Commission 2001b: 5) need for improving the business climate and fighting corruption. Assistance mainly aimed at facilitating the implementation of the PCA, particularly with regard to legal approximation<sup>19</sup> by strengthening the capacities of state actors. While TACIS programming documents asked for the commitment of the authorities to reform, participation of non-state actors was not made subject to conditionality. Thus, the EU continued to promote *effective government*, mainly through technical assistance and political dialogue. The transnational channel was only opened in 2002 through the complementary provision of EIDHR-funds to civil society actors.<sup>20</sup>

In 2003, the approach of the European Union towards Georgia fundamentally changed. Weak governance and significant worsening of

the security situation in the country (cf. Lomsadze 2002) resulted in a substantial revision of the programming of assistance to Georgia. The EU criticized “serious problems of governance and continued weak rule of law, including high levels of corruption” (European Commission 2003b: 3) and casted doubts on the commitment to reform of parts of government. Moreover, it introduced a substantial shift towards the application of negative conditionality and a significant strengthening of the transnational channel. Continuation of assistance became restricted to projects that were likely to reach their objectives due to a real commitment of the authorities. Additionally, the focus of TACIS funding partly shifted from state actors to non-state actors, including “NGOs, independent media, local communities, small business etc.” (European Commission 2003b: 3). Nevertheless, governance-related measures still centered on the legal approximation and implementation of the Partnership and Cooperation Agreement. Assistance was further provided for judicial and law enforcement reforms as well as the strengthening of the civil society and human rights. But the EU insisted that both formal (e.g. human rights commissions, ombudsmen) and informal civil oversight mechanisms (advocacy from civil society) were to be strengthened (European Commission 2003b: 29). A similar point was made with view to PCA-related reforms. It aimed at empowering NGOs mostly by capacity-building measures of various sorts, but also at improving their legal status. At the same time, the Commission demanded that Georgian authorities involve NGOs in “public administration reform, including judicial reform and the implementation of rule of law” (European Commission 2003b: 31). Additionally, the Commission linked the provision of assistance in almost all areas to a commitment of the Georgian authorities to cooperate, and the involvement of civil society actors. In sum, the revised Country Strategy Paper for Georgia strongly complemented *effective government* with *effective* and even *democratic governance*. Furthermore, the application of negative conditionality with reference to governance failures was a unique step.

It is, however, difficult to assess to what extent the conditions and prescriptions of the Country Strategy Paper for 2003–2006 really materialized. Only two months after the adoption of the document, the Rose Revolution brought about an unexpected change of leadership in Georgia that was welcomed by the EU. In 2004, a major donor conference under participation of the EU supported the reform agenda of the new Georgian Government by pledging additional assistance in the amount of €850 million. The EU based the provision of additional

funds on the notion of a “strong commitment of the [new] Georgian Government to democratic reforms, with the aim of enhancing political stability, the rule of law and economic normalisation in the country” (European Commission 2004b: 1; cf. European Commission 2005b: 4). The EU neither formulated specific conditionality criteria comparable to those before nor did it ask for the involvement civil society actors. Thus, the EU largely switched back to the promotion of *effective government* in 2004.

On 14 November 2006, the EU/Georgia Action Plan was adopted.<sup>21</sup> Compared to Azerbaijan, it envisioned a broader scope of governance-related reforms for Georgia. The agenda comprises the strengthening of democratic institutions as well as change in the judicial system, civil service, local government, business-related laws, the customs code and administration, the tax administration, and privatization and licensing (cf. AP GE 2006). Furthermore, strong emphasis is put on the implementation of the Georgian Government’s anti-corruption strategy and other measures serving the fight against corruption (cf. AP GE 2006). The reform agenda laid out in the Action Plan almost entirely focuses on measures carried out within, or through state actors. Nevertheless, civil society inclusion is at least recommended with respect to the implementation of the government’s anti-corruption strategy. It is an open question, whether this suggestion is subject to conditionality. In sum, the integration of Georgia into the ENP framework resulted in a combination of different approaches. The EU’s reform prescriptions cover *effective* and *democratic government* as well as *effective governance*, albeit to a lesser extent.

The new financial perspective 2007–2013 brought about a sharp increase in assistance for Georgia. The indicative budget for 2007–2010 Georgia amounts to €120.4 million. The EU’s priorities integrated support for reforms regarding the strengthening of the rule of law, administrative capacity-building, public finance management and the development of civil society. However, fostering dialogue between state and non-state actors as well as the inclusion of civil society actors in decision-making processes is also part of the reform agenda (European Commission 2007b). The new assistance program more explicitly previews the use of the transnational channel in the Georgia compared to Azerbaijan. Furthermore, compared to TACIS, the reforms envisaged aim to a greater extent at increasing input legitimacy. Hence, we observe a cautious broadening of the EU’s good governance approach from *effective government* in all directions – *effective governance*, *democratic government* and *democratic governance*.

Overall, EU good governance promotion in the case of Georgia deviates in many respects from Azerbaijan. Before the Rose Revolution of 2004, there was a significant and unique shift from a low-level intervention primarily concentrating on poverty reduction towards a more political stance focusing on the rule of law and good governance. Promoting *effective government* had been the default approach of the EU. Governance failures and doubts over the reform commitment of the Shevardnadze government led to a radical policy change in 2003. Negative conditionality was strengthened and applied with regard to the provision of assistance. Moreover, the EU partly switched to the transnational channel. This change in approach towards *democratic governance* was, however, short-lived. After the Rose Revolution, the EU largely returned to its original approach. Although the Action Plan of Georgia appears to be more ambitious than in the case of Azerbaijan when it comes to governance-related reforms, the emphasis has again been on increasing output legitimacy using the intergovernmental channel. Thus, the EU's default good governance approach in Georgia is again promoting *effective government*, being complemented, however, by some elements of *democratic government* and *effective governance*.

### **US engagement**

As in other post-Soviet states, US engagement in Georgia was initially justified by advancing freedom and liberal values after the fall of communism. Since its independence, Georgia displayed a comparatively strong commitment to democracy and a Western orientation (cf. King 2004), which ought to counterweigh and diminish Russian influence in the region. Therefore, it is no surprise that Georgia has become one of the closest allies of the US in the Southern Caucasus. More recently, stronger relations have been fostered by the US's search for alternative energy transport routes from Central Asia and the Caspian basin as well as by the fight against terrorism since 2001.

US governance promotion has accounted for the difficult political situation in Georgia and sought to combine state-building and democracy promotion. Both goals have mainly been pursued through the provision of assistance under the FREEDOM Support Act, for which Georgia has been fully eligible since 1992.<sup>22</sup> Assistance has been complemented by a relatively close diplomatic relations, but also some kind of "hidden" conditionality at some point.<sup>23</sup>

Although the assistance portfolio of the US embraced governance-related issues from the very beginning, the promotion of good governance only became a top priority in the second half of the 1990s.

Before, the US assistance had largely responded to the immediate humanitarian needs of the impoverished population of the conflict ridden country (cf. Metreveli and Hakobyan 2001). In the middle of the 1990s, the US increasingly shifted “from a primarily humanitarian to a developmental focus” (US Department of State 1998: 22) as the EU did. Simultaneously, the US increased funding for governance-related issues, based on the notion that the “rule of law” and “confidence in democratic institutions” (US Department of State 1996: 14) would be the key for success in Georgia. The US particularly worried about endemic corruption, low tax collection and the insufficient implementation of the existing legislation.

In order to address governance failures the US decided to make use of both the intergovernmental and the transnational channel.<sup>24</sup> As regards the latter, US assistance mainly addressed the input-dimension of good governance, which had been largely neglected by the EU at that time. Between 1995 and 2001, capacity-building measures inter alia included the development of independent media and the NGO sector, civic education and awareness raising campaigns as regards judicial reforms, corruption or elections. FSA funds that have been provided for these issues had been mainly managed by USAID and to a much smaller extent by the Department of State.

At the same time, many projects were implemented by American non-state actors such as the Eurasia Foundation, NDI or the American Bar Association. Apart from the promotion of *democratic governance*, the US made the reform of state institutions a core priority in its assistance portfolio at the end of the 1990s. The growing relevance of improving efficiency and effectiveness of the Georgian state and improving its resource base became most obvious between 1999 and 2002, when the US closely cooperated with the Georgian government on the development and adoption of a comprehensive reform plan addressing these issues.

At the core of the so-called five-point plan was the fight against corruption, land reform, privatization particularly of the corruption prone energy sector, tax and revenue enhancement, and the development of the business sector, which was subsequently amended by issues of civil service reform and energy security (cf. US Department of State 1999, 2000, 2001). These measures were flanked with an intensive high-level dialogue between US officials, particularly the Embassy, and the Georgian government. Within this framework, the US urged the government of Georgia to take necessary reform steps. It is difficult to estimate to what extent conditionality played a role at that point. Compared to its early



good governance promotion, the engagement of the US in Georgia significantly broadened. The US combined an *effective government* with a *democratic governance* approach. Unlike many other NIS, Georgia's pro-Western government seemed committed to reform, which allowed for such a wide spectrum of external intervention.

In 2002, however, the US abolished its comprehensive approach responding to the dismissal of the entire Georgian government by president Shevardnadze after a severe domestic crisis. At the same time, US state officials had completely lost confidence in the ability and the will of the Georgian government, and President Shevardnadze in particular, to implement governance-related reforms.<sup>25</sup> While there is no clear evidence on whether assistance to the government had been made conditional as in the case of EU or whether official relations worsened,<sup>26</sup> the US partly shifted their attention from the ongoing fight against corruption to assistance for the preparation of the forthcoming parliamentary elections of 2003. In 2002 and 2003 US governance promotion efforts consequently focused on the input-dimension.

Moreover, while USAID intensified its cooperation with the Georgian authorities on improving voter registration, funds were particularly stepped up for independent election monitoring through NGOs, independent media, and political party training. Some observers considered these measures as a "most consistent and serious attempt" of the US to "secure free and fair balloting" (Fairbanks 2004: 114) in any of the post-Soviet countries. Assistance by US non-state organizations, such as the Soros Foundation, complemented the efforts of the US administration to promote democratic governance (cf. Welt 2006). The shifting focus of the US from output to input legitimacy became even more apparent when the US made the elections an important issue of political dialogue.

In the first half of 2003, the US government, for instance, sent former Secretary of State Baker to Georgia in order to pressure the Georgian government to adopt a ten-point plan for ensuring free and fair elections (cf. Welt 2006). Thus, whereas the EU only partly re-programmed and restricted its assistance, the US actively engaged in exerting pressure on the government and in strengthening the societal roots of democracy. At the beginning of the new millennium, the US significantly reinforced its *democratic governance* approach and started to switch from *effective government* to *democratic government*. The support, which Shevardnadze's government had enjoyed throughout the 1990s, completely vanished when the elections in autumn 2003 turned out to be flawed. While regime change was not an immediate demand, the

US issued strong criticism towards the Georgian authorities and urged a review of the election results (cf. Welt 2006). Following mass protests in the streets of Tbilisi, Shevardnadze finally resigned and a reformist coalition around the former minister of justice, Mikheil Saakashvili, the former speaker of the parliament Zurab Zhvania, and Nino Burjanadze took over.

The US interpreted the Rose Revolution and the subsequent presidential and parliamentary elections in 2004 as a decisive and so far unique democratic breakthrough in the post-Soviet world – a notion which shapes US good governance and democracy promotion in Georgia up to now. As a result, diplomatic relations have further intensified. “American political, economic and military advisors” have been seeking “to help the new government at virtually every level” (Mitchell 2006: 669). In 2005, George W. Bush became the first American president to visit Georgia. In addition to intensified bilateral cooperation, the US rewarded Georgia’s reform-minded government in the same year by signing a compact agreement with the Millennium Challenge Cooperation worth \$295.3 million (cf. US Department of State 2004).

The US continued to promote good governance through capacity-building. The focus of assistance, however, changed significantly. As the EU, the US largely switched (back) to an *effective government* approach. The areas and actors targeted by US assistance have been similar to those addressed between 1999 and 2002. The US stepped up funding mainly for various governmental bodies and in particular for the executive, who were expected to revise outdated laws such as the criminal procedures code, the tax code or the administrative code. The fight against corruption has been spurred by cooperating on new taxing, customs and licensing regulations. Capacity-building aimed at increasing the efficiency and effectiveness but also accountability and transparency of the public sector. While cooperation with the government on governance-related issues has intensified, US assistance via the transnational channel decreased with the Rose Revolution. On the one hand, the success of the Rose Revolution may have rendered enhancing effectiveness and efficiency of government institution more important. On the other hand, many former civil society actors that enjoyed US support joined the government after the events of 2003. In either case, after the Rose Revolution the US governance approach largely shifted from promoting *democratic governance* to *effective government*.

The “unconditional support” (Mitchell 2006: 670) for Georgia’s government holds until today although the Georgian government increasingly fails to deliver on democratic changes, such as reforming the

judiciary, securing the separation of powers, the freedom of the press or fighting elite corruption. Like the EU, the US seem to prioritize state-building and modernization over democratization (cf. Nodia 2005). The re-emerging geopolitical confrontation with Russia in the Southern Caucasus renders a stronger US insistence on real progress concerning the consolidation of democracy issues unlikely.

In sum, until very recently Georgia has been a strong case for US good governance promotion in the Southern Caucasus. In contrast to the EU, the US employed a two-track approach towards Georgia, which combined the promotion of *effective government* with *democratic governance*. However, state-building and improving the efficiency and effectiveness of state institutions have played an equally significant role in the late 1990s and at the beginning of the new millennium as well as following the 2003 Rose Revolution. Only in 2002 and 2003, when confidence in the Shevardnadze government faded, the US strengthened its *democratic governance* and *government approach*. Whereas the EU merely suspended parts of its activities, the US actively responded to the governance crisis in Georgia by exerting diplomatic pressure on the Georgian government and simultaneously empowering societal actors.

## Conclusion

In this chapter, we explored how the EU and US have been seeking to promote stability and democracy in the Southern Caucasus. We placed democracy promotion in the more general context of the EU's and the US's attempts to export good governance. This broader perspective appears to be in particular appropriate for the case of the Southern Caucasus because the three countries are weak on both democracy and statehood.

The first part of our chapter introduced an analytical framework identifying four ideal types of good governance approaches, which the EU and the US can adopt using the different logics of influence or instruments developed in the introductory chapter of this volume. Part three systematically compared the EU and the US attempts to promote good governance in Azerbaijan and Georgia, which vary the most with regard to the effectiveness and democratic quality of their regimes.

Given the weak statehood of Georgia and Azerbaijan, the EU and US both have prioritized the promotion of *effective government* using assistance and political dialogue as the main instruments. While democracy promotion takes second place to state-building, the US put more emphasis on improving the input legitimacy of good governance and

is also less state-centered than the EU. In contrast to the EU, the US consistently complemented its *effective government* approach with promoting *democratic governance*. While the relations with Georgia are more intensive, neither the EU nor the US systematically differentiated their approach with regard to Azerbaijan where both pursue a predominantly *effective government* approach. The only case in which both departed from their “one size fits all” approach was when Georgia’s governance performance deteriorated between 1999 and 2001. Disappointed by the reform failures of the Shevardnadze government, the EU and US equally turned to societal actors. Yet, the EU at first withdrew from cooperation with the Georgian government and only came up with a new approach when the Rose Revolution had radically changed the political situation in Georgia again. The US, by contrast, swiftly responded to the domestic changes using political dialogue to exert pressure on the Georgian government and empowering domestic reform coalitions. Georgia is also the only case in which the EU and US invoked and even reinforced negative conditionality with regard to assistance.

Our findings also hold for Armenia, which has been equally subject to the promotion of effective government by both EU and the US. However, due to the strong influence of the Armenian Diaspora, the US emphasis on democratic governance has been even more pronounced than in Georgia.

Overall, the EU and US share a preference for political stability over democratic change. This is not only due to the limited statehood of the three Southern Caucasus countries. The war on terrorism as well as concerns about energy security have significantly mitigated the attempts of both external actors to promote good governance in the region. In the Southern Caucasus, Venus has never been far away from Mars.

## Notes

1. For an overview of the literature see Börzel et al. 2007.
2. The TACIS programme included Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and Russia. Mongolia joined the programme from 1993 to 2003.
3. Council Regulation (EC) No. 1638/2006 of October 24, 2006.
4. The introduction of a so-called “governance facility” was announced in the December 2006 Communication on Strengthening the European Neighbourhood. It provides additional assistance, on top of the budgeted national allocations, to acknowledge “the work of those partner countries who have made most progress in implementing the agreed reform agenda set out in their Action Plan” (cf. European Commission 2006a: 12).

5. The US embassies were established in Yerevan (Armenia) on December 26, 1991, in Baku (Azerbaijan) on March 16, 1992, and finally in Tbilisi (Georgia) on April 23, 1992, cf. US Department of State available at [www.state.gov](http://www.state.gov) (accessed on October 23, 2008). In Azerbaijan, the embassies of the United Kingdom and China followed in 1993.
6. Officially termed “The Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act,” Public Law 102-511 enacted on October 25, 1992, cf. United States Code collection, Title 22, Chapter 67 available at [www.law.cornell.edu](http://www.law.cornell.edu) (accessed on October 26, 2008).
7. The legal framework for the assistance to the countries of the South Caucasus and Central Asia was complemented by the adoption of the US Silk Road Strategy Act on March 10, 1999. Section 5 of this Act amended the US Foreign Assistance Act of 1961 with Chapter 12 (Support for the Economic and Political Independence of the Countries of the South Caucasus and Central Asia), cf. United States Code collection, Title 22, Chapter 67 available at [www.law.cornell.edu](http://www.law.cornell.edu) (accessed on October 26, 2008).
8. For instance, negotiations with both Tajikistan and Turkmenistan over an investment agreement have been stalled. In the cases of Belarus and Uzbekistan such agreements have been signed, but have never entered into force due to the economic and political situation and a lack of commitment to reform of both governments.
9. This concept originally has been developed in the context of Belarus and was extended later to the NIS in general, cf. <http://minsk.usembassy.gov> (accessed on October 20, 2008).
10. Cf. [www.mca.gov](http://www.mca.gov) (accessed on November 28, 2008).
11. Cf. [www.freedomhouse.org](http://www.freedomhouse.org) (accessed on October 26, 2008).
12. These include TACIS national allocations (28.47%), exceptional macro-financial assistance (7.33%), humanitarian aid (22.51%), FEOGA (16.06%), FSP (18.82%), rehabilitation (4.49%), and exceptional humanitarian aid (2.32%).
13. Cf. PCA Article 2.
14. EIDHR was established in 1994 as a special thematic budget line in order to cover input-related issues of the broader good governance concept. In 2006 the name was changed in European Instrument for Human Rights and Democracy (cf. Council regulation EIDHR Regulation (EC) No. 1889/2006).
15. EU–Azerbaijan Action Plan adopted 14 November 2006. [Hereinafter: AP AZ 2006].
16. The language of Section 907 of the Freedom Support Act states that restrictions on US assistance will be upheld “until the President determines, and so re-ports to the Congress that the Government of Azerbaijan is taking demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh (...),” cf. Section 907 of the Freedom Support Act (Public Law 102-511) available at [www.law.cornell.edu](http://www.law.cornell.edu) (accessed on October 26, 2008).
17. Cf. Remarks by Vice President Cheney and President Aliyev of the Republic of Azerbaijan, September 3, 2008, Baku, Azerbaijan available at <http://azerbaijan.usembassy.gov/> (accessed on October 30, 2008).

18. Overall, Community assistance for Georgia between 1992 and 2006 amounted to €505 million. Almost 26% of the total amount had been provided by the TACIS program, 20% by ECHO, 12% had been food aid, 20% by the Food Security Programme and another 13% had been macro-financial assistance. An additional 9% came from other programs.
19. As the Commission referred to Georgia as a developing country, poverty reduction and enhancing food security were of equal importance (European Commission 2001b).
20. The Commission allocated between 2002 and 2006 €2 million annually through EIDHR for Georgia.
21. EU–Georgia Action Plan, adopted November 14, 2006. [Hereafter: AP GE 2006].
22. Overall, US government assistance for Georgia between 1991 and 2006 amounted to \$1.5 billion. More than half of the total amount had been FSA funds.
23. Unlike Azerbaijan, Georgia has been dependent on the influx of external assistance, which certainly gave large donors, such as the US, significant leverage over the Georgian government. Particularly in the late 1990s the US increasingly pressured the Georgian government to adopt necessary reforms to improve the performance of Georgian state institutions.
24. As written above, Georgia was seen as one of the progressive NIS, which allowed in line with the FSA framework for working closely together with the Georgian authorities.
25. Interview with Official of the US Department of State, Washington DC, May 9, 2007.
26. While official documents of the US do not indicate a significant decrease in assistance based on reinforced conditionality, Welt for instance argues that the US announced a reduction in foreign aid for Georgia alongside with the IMF and other donors (Welt 2006).

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# 7

## Latin America Is Different: Transatlantic Discord on How to Promote Democracy in “Problematic” Countries

*Susanne Gratius and Thomas Legler*

Unlike Africa, the Middle East, or Asia, the Americas have a long albeit problematic track record with democracy. Apart from Cuba, the democracy promotion challenge is not so much how to democratize authoritarian regimes but on how to strengthen democratic institutions, governance, and citizenship while defending democratic constitutional orders from authoritarian backsliding by elected incumbent leaders. Moreover, democracy is currently a highly contested concept in the Americas in terms of its meaning and practices, as illustrated by the intense competition between rival visions of representative democracy and plebiscitary or direct alternatives in countries such as Bolivia, Ecuador, and Venezuela.<sup>1</sup>

At first glance it might appear as if the United States and the European Union share lots in common in terms of democracy promotion in the region. Throughout the Americas, both are involved in everyday, quiet democracy assistance, particularly in countries whose democracy record is relatively unproblematic. In these countries, ranging from the Dominican Republic to Brazil, Uruguay, and Chile, their democracy and development assistance helps to strengthen rule of law, human rights, electoral processes, civil society, and good governance. Both the United States and the European Union enjoy a normative consensus on the value of democracy and human rights as well as similar visions regarding technical democracy assistance.

Nonetheless, there is a significant transatlantic divergence in democracy promotion norms in terms of how democracy should or ought to

be promoted and defended in “problematic countries.” Latin America may well be the region where opposing US and EU views on democracy promotion prevail over convergence or even complementarity. In particular, US and EU approaches tend to diverge in the case of countries with serious threats to democracy and/or absence of democracy, such as Cuba, Venezuela, Bolivia, or Colombia. In countries such as Cuba, Venezuela, and most recently Bolivia, the US preference for more negative forms of incentives and instruments of persuasion contrasts with more positive tools of influence employed by the European Union. That is, whereas the United States has attempted to isolate and undermine incumbent governments in these countries through a series of measures, EU efforts have tended to focus on engaging and dialoging with these same governments to advance democracy. In other words, we find in these cases that while the United States aims at the ultimate goal of *regime change*, the EU prefers the more moderate goal of *regime reform*.

This chapter is divided into four parts. First, we explore the general parameters of US and EU democracy promotion in the Americas. Second, we contrast US and EU approaches in two countries where democracy is non-existent or particularly problematic: Cuba and Venezuela. In the third section we examine how the United States and the European Union have attempted to promote democracy in the midst of competing policy priorities – antinarcotics, peace and security, antiterrorism, trade and investment, development and human rights – in Colombia and Bolivia. As we underline in our analysis, this can create awkward policy conundrums. In a concluding section we look at the specific challenges confronting US and EU democracy promotion in the Americas.

## **US and EU democracy promotion strategies in the Americas**

### **Origins and philosophies**

The United States has long been involved in promoting democracy in one form or other in the Americas (see Lowenthal 1991; Smith 1994). During the early 1990s, Latin America was the chief destination of US funds to advance democracy, gradually declining in relative terms as other regions such as Eastern Europe and the Middle East competed among US priorities (Azpuru et al. 2008: 154). Regrettably, in many instances “championing democracy” was more the pretext for sponsoring the replacement or destabilization of governments opposed by Washington for ulterior motives, such as Guatemala in 1954 or the Dominican Republic in 1965. Throughout much of the twentieth

century, the sincerity of the US's commitment to democracy in the region was called into question by its support for some of the most brutal dictatorships while it simultaneously undermined popularly elected leaders such as Arbenz in Guatemala and Allende in Chile (Lowenthal 1991; Shaw 2007; S. Smith 2000; T. Smith 1994).

Compared to the United States, the European Union is a very recent and value-oriented, soft-line democracy promoter. The EU's political engagement in the Americas started in the 1980s, when nearly all Latin American countries abandoned military regimes. In the past decades, due to cultural affinities, Latin America has been the main destination for exporting its own "social democracy model," based on good governance, a welfare state, and regional integration. Following its own experience, Europe has been particularly engaged in the region's transition to democracy in countries like Chile, Argentina, or Uruguay. More recently, Cuba has focused EU democracy promotion efforts in the Americas.

US pro-democracy activities reflect both principled action and specific economic and security interests. Various authors have observed important similarities across recent presidencies. For example, the Clinton and Bush Administrations have both been described as *semi-realist* (Carothers 2007; Rieffer and Mercer 2005). Under both Clinton and George W. Bush, democracy promotion (and defense) have competed with rival policy frames, such as counter-narcotics, trade and investment, energy security, and more recently terrorism, in the determination of US policy priorities in the region, often leading to contradictions as well as inter-agency bureaucratic tensions.

For example, Peruvian President Fujimori's (1990–2000) cooperation with the United States on the drug front and as a model implementer of market reforms tempered and delayed the Clinton government's response to ongoing human rights abuses and authoritarian backsliding (McClintock and Vallas 2003). By the same token, the Bush government resisted efforts by the OAS to respond to blatant antidemocratic measures by Ecuadorian President Lucio Gutiérrez in 2004–2005, allegedly due to his faithful collaboration with the US military and counter-narcotics authorities as well as with the IMF.<sup>2</sup>

Human rights concerns, peace, and development have been the cornerstone of EU policy in Latin America, to which the promotion of democracy has always been subordinated (Gratius 2007; Youngs 2008). These concerns motivated the EU at the beginning of the 1980s to engage and mediate in the Central American crisis. The so-called "San José Process" was the origin of a regular political dialogue with the Rio Group from

1990 on and the celebration of EU–Latin America–Caribbean Summits since 1999. Today, official political dialogue at different levels (bilateral, subregional, and interregional) and the promotion of regional integration are still key instruments for the European Union’s rather positive and multilateral persuasion and incentive logics toward Latin America.

A shared rhetorical commitment to democracy and human rights is included in every EU–Latin American document. In its conclusions on February 27, 2006, the Council of the EU even considered democracy as one of the four principle objectives in EU’s relations with Latin America. Similarly, the European Commission (EC) identifies “democratic governance,” closely linked to human rights and social justice, as a major challenge (Comisión Europea 2005). Nonetheless, apart from rather small democracy assistance programs, there has been little effort on both sides to translate common political values into common action or a deeper commitment.

### **Logics of influence: carrots versus sticks?**

There has been important overlap between the United States and the European Union in terms of an emphasis on everyday, quiet capacity-building or democracy assistance in relatively unproblematic democracies, such as the Southern Cone countries. Importantly, US democracy promotion “as usual” has been targeted at countries that the US government considers friendly. Following USAID’s own nomenclature, this capacity-building logic of influence has focused on four main areas: rule of law; elections and political processes; civil society; and governance.<sup>3</sup> In Latin America, the rule of law has received the majority of project funding (Azpuru et al. 2008: 157).

The EU’s democracy assistance programs are more broadly defined and disperse, including electoral assistance as well as projects on peace, governance, human rights, indigenous rights, and social cohesion. Latin America has been the second largest beneficiary of projects financed by the European Instrument for Democracy and Human Rights (EIDHR).<sup>4</sup> In the period 2000–2006, the EIDHR channeled €136.5 million into 261 diverse projects. Colombia (€10.6 million in 21 projects), Guatemala (€5 million in 28 projects), and Haiti have been the main regional beneficiaries of the EIDHR.

The Bush government used important positive incentives to promote democracy. For example, under the Millennium Challenge Account (MCA), various Latin American and Caribbean countries, including El Salvador, Guyana, Honduras, and Nicaragua, have been rewarded with additional economic assistance for their performance on various

political and economic indicators. Nonetheless, it is noteworthy that this group of countries reads like a list of the United States' closest allies in the region (MCA funding was awarded to Nicaragua *before* Daniel Ortega's election in 2006).

In addition to the carrots it awards to friendly governments in the form of democracy and/or development assistance, the United States has resorted to a variety of sticks against unfriendly governments, ostensibly to advance democracy in the Americas. Sanctions have been used frequently. For instance, presidents Clinton and Bush both sustained the embargo against Cuba. In 1992, the Clinton government suspended aid to Peru following Fujimori's self-coup. In the Guatemala crisis of 1993 and the 2000 Ecuadorian crisis, US threats to cut economic assistance backed multilateral efforts by the OAS to restore democratic constitutional orders. The US government also imposed various sanctions separately against Haiti (2000–2004) and Venezuela (2005–present).

One type of negative measure applied by the Clinton and Bush Administrations can be called "reprogramming": redirecting US democracy and economic assistance from official bilateral channels toward opposition forces at the expense of governments of which the United States is critical. In Clinton's case, in 1992, substantial portions of official bilateral assistance to Peru were rerouted to civil society actors. Under Bush, the IRI channeled funds to strengthen opposition groups in Haiti.

The Bush Administration has made greater use of negative instruments of influence than its predecessor against countries which it deems unfriendly, considers as threats to US interests, and/or criticizes for abuses of democracy.<sup>5</sup> For example, the annual review process of certifying or decertifying countries according to their performance in combating the drug trade has been used to reward "friends" like Colombia with renewed economic assistance while punishing adversaries like Venezuela. In a similar vein, Bush authorities have used the Andean Trade Promotion and Drug Eradication Act to reward Bolivia, Ecuador, and Peru with renewed trade preferences while denying the same to Venezuela, although it arguably demonstrated a solid record on drug interdiction. In October 2008, the United States also suspended Bolivia's trade preferences. "Electoral intervention" through public support for preferred candidates and public criticism of undesirable ones has also been used, particularly in elections in Bolivia (2002), El Salvador (2004), and Nicaragua (1990, 2002, 2006). In Haiti and Venezuela, the United States has seemingly adopted a hostile policy of *regime change* (see also Carothers 2007).



EU democracy promotion policies rely more consistently on positive instruments of influence than their US counterparts, employing carrots more than sticks. The use of force, economic embargos, or other types of sanctions is traditionally not part of the EU's democracy promotion repertoire. Rather, the EU uses a set of "soft" instruments:

1. Conditionality: the democracy and human rights clauses included in cooperation and association (trade plus) agreements between the EU and Latin America;
2. Diplomatic engagement: political dialogue at a bilateral, subregional and interregional level, political declarations by the Council of the EU, Resolutions of the EP and, in some cases, diplomatic pressure or the threat of light sanctions;
3. Election observation missions invited by host countries, among them Bolivia, Ecuador, Guatemala, Guyana, Haiti, Nicaragua, Peru, and Venezuela;
4. Development assistance projects financed by the EIDHR and EC budget lines for political cooperation;
5. Regional integration as an indirect formula to promote peace and democracy based on the EU's own model.

"Democracy clauses," included in all cooperation and association agreements between the EU and Latin America, are the most distinctive instrument of the EU's logic of influence, especially in comparison with the United States. It is worth noting that in at least one case, democracy clauses were encouraged by Latin Americans themselves. At the beginning of the 1990s, Argentina promoted the insertion of such a clause in its cooperation agreement with the then European Community to help consolidate its own redemocratization process.

Initially created as a positive incentive, these clauses can nonetheless also be used as an instrument of political pressure or persuasion. They were the subject of dispute between the EU and Cuba, hindering the signature of a cooperation agreement and a regular political dialogue. Such a clause also presented an obstacle in EU–Mexican negotiations on an association agreement. Invoking the democracy clause of the Cotonou agreement, the EU temporarily suspended development assistance to Haiti (2001–2004). Pursuant to its Common Position (1996), in 2003 the EU imposed light sanctions against Cuba which were temporarily suspended two years later and eliminated in June 2008. The democracy clause was also used as a "stick" or threat to suspend development

cooperation with other countries in the 1990s, such as Guatemala, Peru under Fujimori, and Paraguay. Nonetheless, these cases represent more the exception than the rule of EU's democracy promotion praxis in the Americas.

### Actors and pathways

The set of US governmental, quasi-governmental, and non-governmental actors involved in democracy promotion in the region has grown in numbers and complexity. The collage now includes governmental agencies such as the United States Agency for International Development, the Department of State, and the Department of Justice, quasi non-governmental actors such as the NED, the National Democratic Institute, and the International Republican Institute, as well as non-governmental organizations like the Carter Center, Americas Watch, and the Washington Office on Latin America.

In addition to direct state-state interactions, the Bush Sr, Clinton, and Bush Jr governments supported the strengthening of more indirect, *multilateral* democracy promotion and defense via the OAS. The US government strongly supported the construction of an Inter-American collective-defense-of-democracy regime through its sponsorship of such key international legal documents as the Washington Protocol (1992) and the Inter-American Democratic Charter (2001). US pressure was important in compelling the OAS to adopt OAS Resolution 1080 in response to coups d'état or self-coups in Haiti (1991), Peru (1992), Guatemala (1993), and Paraguay (1996). The United States also used its bilateral economic leverage to reinforce OAS efforts to defend democracy. In 1992, the US cessation of economic assistance to Peru was an important factor influencing President Fujimori's decision to cooperate with OAS authorities following his *autogolpe*. In other instances, the threat of cutting such assistance helped prevent political crises from generating authoritarian outcomes in Guatemala in 1993, Paraguay in 1996, as well as Ecuador and Peru in 2000.<sup>6</sup>

With regard to the targets of pro-democracy activities, both governments and civil society have equally benefited from US democracy promotion assistance and support. Nonetheless, the Bush government tended to adopt more negative incentives and forms of persuasion toward unfriendly governments while shifting from more formal bilateral ties to more indirect pathways of influence in efforts to undermine incumbent governments by supporting opposition groups or parties. It has offered both financial and symbolic support to dissidents in Cuba,

Venezuela, and Haiti. As part of this logic of persuasion, the United States has adopted diplomatic disengagement or very low-level diplomacy against these same countries.

Much more than the United States, the EU is a multi-tier democracy promoter. Projects are channeled by different European actors with sometimes competing or overlapping interests. Apart from the European Commission, responsible for technical democracy assistance, the Council of the EU decides on the application of democratic conditionality, soft sanctions, and political declarations on third countries. Through its resolutions and missions, the European Parliament is strongly engaged in peace and human rights issues. Moreover, EU member states have their own, national democracy promotion policies. Spain and France are the main European political partners of Latin America, although compared to other EU members, their foreign policies are less focused on democracy promotion.

Similar to the United States, the targets of the EU's pro-democracy activities are very diverse, including a broad range of governmental and non-governmental actors. In general, EU democracy assistance is mainly channeled through NGOs. Nonetheless, in countries with authoritarian regimes such as Cuba in Latin America, counter to the US isolation strategy, the EU prefers engagement through trade, cooperation and a political dialogue with the government as an additional strategy to open up closed regimes.

This brief overview on US and EU policies reveals different styles, priorities, and instruments for promoting democracy in the Americas. The United States has clear strategic interests in Latin America and, as a hemispheric power, is prone to be more of a hard-line than a soft-line democracy promoter, particularly concerning "unfriendly governments" in the region. The EU's comparatively low profile democracy promotion in the Americas undoubtedly has to do with its relative lack of strategic interests in the region. This fact helps permit the prevalence of development, human rights, and governance in EU policies. Moreover, the rather technical approach to democracy promotion in France or Spain (see Fülcher 2008), the only European countries with clear regional economic and geopolitical interests, has contributed to the EU's low profile.

As suggested above, US and EU democracy promotion activities have differed most in relation to countries with particularly problematic democracy records. In what follows we compare and contrast US and EU policies toward four such countries: persistent authoritarianism in Cuba and authoritarian backsliding in Venezuela; and threats to democracy by internal conflicts in Bolivia and Colombia.

## **Different policies toward Cuba and Venezuela**

The European Union and the United States share neither the same goals nor similar strategies to promote democracy in Cuba and Venezuela. If regime change by sanctions and diplomatic isolation have been the main US approach, “transformative engagement” by trade, cooperation and dialogue is the dominant logic of EU policy. Priorities are also different. While the US policy toward Cuba and Venezuela tends to reflect a certain trade-off between democracy and the free market, the EU’s trade-off is between social progress and democracy. In both countries, different policies and priorities led to a zero-sum-game of negative democracy promotion and, in the Cuban case, to a counterproductive strategy by reinforcing the authoritarian regime.

### **The transatlantic rift on Cuba**

Cuba remains the only fully fledged authoritarian regime in the Americas.<sup>7</sup> However, contrary to previous years, Cuba is in a process of open-ended change. The surprisingly smooth leadership succession from Fidel Castro to his brother Raúl modified the character of the regime. Authoritarianism transformed from highly personal leadership toward a collective, more institutionalized and pragmatic style of governance. While the former president still has a voice in Cuban politics, he has little or no decision-making or even veto power. For example, his criticism of the EU lifting of “sanctions” in June 2008 was ignored by the government of his brother Raúl Castro who decided to enter into a political dialogue with the EU and to reestablish official development assistance with the European Commission suspended by Fidel.

Although the preservation of the system by avoiding a democratic opening remains the priority of the regime, Fidel Castro’s retirement signaled the possibility for new political directions in Cuba. Given the severe constraints, changes can be expected in the highly centralized and inefficient Cuban economy. Cuba’s second liberalization period (after the 1990–1996 opening) raises the question of how to promote democratic change in an apparently monolithic authoritarian regime without any intention of political opening. For nearly 50 years, Cuba has been the most prominent case of transatlantic divergence on how to deal with socialist authoritarianism hostile to US interests.

Washington’s policy toward Cuba has long been focused on the use of sanctions and persuasion logics of influence aimed at regime collapse: by the embargo, isolation, and support for opposition movements. On the other hand, the European Union has sought to promote

democratization from inside by implementing a mixture of conditionality and economic engagement (trade and investment). Whereas the EU's policy has focused on the regime, the United States has never recognized the Cuban government and concentrated on the support of dissidents and exile groups.

Contrary to what some have suggested,<sup>8</sup> the main problem between the US and EU approach to Cuba is not simply the application of different instruments but the fact that both are committed to different goals. While US policy has been exclusively designed for the "day after" (Fidel and Raúl Castro), by "transformational engagement" the European Union seeks to promote incremental reform by the country's authorities. Another fundamental difference between both relates to nationalizations during the Cuban Revolution (including former US properties), which have been recognized by the European Union and not accepted by the United States. The EU also recognizes social progress in public health and education, while the United States foresees a "social reconstruction" in post-Castro Cuba.

US policy has long been strongly influenced by a small group of the first generation of the Cuban exile community in Miami and their emotional logic to fight the Castro regime. During the 1990s, as Fidel Castro was struggling to avoid economic collapse following the end of Soviet economic aid, US Congress attempted to provoke the end of the nationalist, antiimperialist regime 90 miles from the US border through two pieces of legislation. In 1992, it approved the Torricelli or Cuban Democracy Act (1992) and in 1996 the Helms-Burton Law as a reaction to the detention of 75 dissidents. These two laws served first of all to preserve US economic interests in Cuba by imposing extraterritorial sanctions against European and other foreign investors who invested in Cuban properties once owned by US companies.

The Cuban Liberty and Democratic Solidarity Act (Helms-Burton) signed the embargo into law, prohibited the recognition of the Castro brothers, and created a new position of Cuban Transition Coordinator tasked with preparing plans for post-Castro Cuba<sup>9</sup> and to influence EU policies. Extraterritorial sanctions against European investors motivated the EU to put a claim against the United States at the WTO. The dispute was resolved with an informal transatlantic agreement (the so-called "Understanding" signed in 1997) to partially exclude European investors from US sanctions against foreign investors (Roy 2000).

The basis for the "Understanding" was the EU's Common Position on Cuba, approved in December 1996 as an initiative of the then conservative Spanish government of José María Aznar. The Common Position

conditioned development assistance, the signature of a cooperation agreement with Cuba, and official dialogue on a democratic opening. Nonetheless, the text was not binding and subjected to a broad range of interpretations. Since then, EU policy toward Cuba constantly oscillated between diplomatic pressure and conditionality, on the one hand, engagement by dialogue and development assistance, on the other. Nonetheless, in contrast to its exclusion from the OAS and the Summits of the Americas (under US sponsorship), Cuba participates in the inter-regional Summits<sup>10</sup> and Parliamentary Assemblies (Eurolat).

The result of this has been a policy of “conditioned engagement,” closely linked to Spanish foreign policy and its evolving relations with the United States. When Fidel Castro ordered the detention of 75 dissidents, at the initiative of the Aznar government, in June 2003, the EU decided on four “light sanctions”: inviting dissidents to national celebrations of member states, reducing cultural events, reinforcing aid-conditionality and restricting diplomatic relations. President Fidel Castro answered by freezing EU official development assistance.

When the social democrat José Luis Rodríguez Zapatero won Spain’s national elections in 2004, he immediately began to change national policy toward Cuba from pressure to engagement and to convince other EU member states to do the same. Following a Spanish initiative, the EU decided to suspend the “sanctions” in 2005. In May 2007, Spanish Foreign Minister Miguel Ángel Moratinos visited Havana and fully reestablished cooperation and dialogue (including human rights issues) with the Government of Raúl Castro.

Pushed by Spain and following a heated internal debate, on June 23, 2008, the EU eliminated the “light sanctions” and decided to revise the Common Position in 2009, and to offer the Cuban authorities an open political dialogue (Bayo and Gratius 2008). Havana’s official reaction was positive.<sup>11</sup> Foreign Minister Felipe Pérez Roque visited Spain and France (the EU Presidency) in October 2008 and reestablished official development assistance by a formal declaration signed in Havana<sup>12</sup> between the Cuban Foreign Minister and Development Commissioner Louis Michel. According to this agreement, the EU will increase humanitarian aid and approve additional financial assistance for 2009.

Although sanctions have been the dominant instrument of all US governments toward revolutionary Cuba, there has also been an engagement component whose application has been in open contradiction to the sanctions logic. Since the US Congress decided in 2000 to lift part of the embargo, the United States has become Cuba’s main supplier for food. In addition, since the Clinton Administration approved

people-to-people contacts by travel licenses, remittances as well as diplomatic and academic visits, interactions between US and Cuban societies are stronger than before. Nonetheless, in June 2004, President Bush reimposed travel restrictions and other prohibitions consistent with the government's preference for negative instruments of sanctions and isolation.

The different goals, instruments and partners of EU and US policy have produced both counterproductive results and a policy quandary. In spite of or even because of Washington's intent for regime collapse, following "the US external enemy logic," the perception of a US threat helped Cuba's authoritarian regime not only survive the end of Soviet Communism but also of Fidel's leadership. For its part, the EU's economic engagement has played an important part in effectively sabotaging the US embargo (Gratius 2005).

By not sharing similar goals, instruments and partners on the Cuban issue, instead of encouraging reforms on the island, the transatlantic differences produced an external blockade to democracy in Cuba that worked in the following way. Through its engagement and dialogue with the Castro regime, the EU helped Cuba to survive the collapse of the Socialist bloc and at the same time, mitigated the impact of the US sanctions. The EU policy provides economic resources and gives the Cuban regime a certain international legitimacy. If the EU would have joined the US embargo and isolation policy, the regime's survival after 1990 would have been much more doubtful.

At the same time, US economic sanctions, diplomatic isolation and the "regime change from outside logics" contributed to the failure of the European approach of promoting openness in Cuba through dialogue and economic engagement. If President Barack Obama, who announced during his campaign the possibility to reopen political dialogue with the regime, would decide to follow the EU strategy, to lift the sanctions and to reestablish diplomatic relations with Cuba, the Cuban regime could no longer justify its authoritarian policy with the external threat nor the economic difficulties caused by the embargo. This policy shift would facilitate a common strategy between the EU and the US defining, for example, a policy of "conditioned engagement" (a mixture between cooperation and trade, on the one hand, and persuasion by diplomatic pressure, on the other) as a common denominator.

Despite geographic distance, the EU's "contagion through proximity" (Whitehead 1996; Triscritti 2007) guarantees a European presence on the island while potentially opening up new spaces for dialogue and cooperation with the regime and civil society. Thus, a

common US–EU focus on engagement and dialogue (more likely under President Obama) would offer a better chance to promote democracy by a long-term contagion effect. Even though, engagement and dialogue also present a dilemma, given that these soft instruments could be used by the Cuban regime for self-legitimation and international recognition.

### **Venezuela: isolation versus dialogue**

Authoritarian backsliding constitutes the main risk for democracy in Venezuela. The image of the world's fifth largest oil producer of the world as a stable democracy and close US ally radically changed under the presidency of Chávez. Venezuela's two-party, oil-financed "Punto Fijo" political system (1958–1998) ultimately collapsed following the election victory of former military officer Hugo Chávez in 1998.<sup>13</sup> Chávez implemented his own "Bolivarian Revolution" or "Socialism of the Twenty-first Century", a new political system ostensibly based on a plebiscitary and participatory democracy.

Critics, including the US government, have argued that Chávez has centralized power, systematically eroded horizontal accountability, harassed political opposition and human rights activists, and militarized the state.<sup>14</sup> Threats to stop oil supplies to the United States, Chávez's inflammatory comments about the US war in Iraq and Afghanistan, his personal insults against George W. Bush, and efforts to create a new anti-imperialist bloc in Latin America heightened diplomatic tensions with Washington. Despite sporadic tensions with European governments, the EU has neither adopted a democracy promotion strategy toward the country nor altered its traditionally good relations with Venezuela under the Chávez government.

Venezuela is another clear case of where the principal US "democracy promotion" objective has been regime change: to undermine the government of Chávez, via the use of negative forms of incentives and negative instruments of persuasion. As in the Cuban case, the European position is less coordinated and much more cautious and focused on dialogue, engagement and social conditions.

External leverage over Venezuela by way of material incentives is limited, given the country's impressive earnings as an oil exporter and its middle income status. The United States has therefore attempted to foster regime change through altering the domestic balance of power in Venezuela against Chávez by providing finance for opposition groups. USAID's Office for Transition Initiatives, the State Department's Economic Support Funds, and the National Endowment for Democracy



all furnished support to Venezuelan civil society throughout the Bush Administration years (Sullivan and Olhero 2008: 36–8).

The Chávez government has also faced other forms of persuasion. Annual Department of State human rights reports routinely emphasize the deterioration of democracy and human rights, and since 2004, Venezuela has annually reappeared on the Department of State's Tier Three list of the countries considered the most problematic for human trafficking. Since 2005, Venezuela has annually been decertified by President Bush for its alleged poor performance in combating the drug trade. Venezuela also came under attack from the Department of State in its annual country reports on terrorism. The assault on Chávez's domestic and international credibility has been supported by numerous public statements. For example, on February 7, 2007, then Secretary of State Condoleezza Rice testified to the House Foreign Affairs Committee that Venezuela was suffering "an assault on democracy" and that Chávez was "destroying his own country economically and politically" (Condoleezza Rice in Sullivan and Olhero 2008: 3).

Washington also dramatically reduced its diplomatic ties with Caracas. While the NED, the IRI, and the US Embassy in Caracas continued to maintain low-level links with opposition elements, more formal and senior level bilateral relations with the Chávez government were minimized. It is telling that whereas the leader of the opposition NGO Súmate, Marina Machado, was personally received by George W. Bush in the White House on May 31, 2005, not a single high-ranking Chávez official ever enjoyed the same treatment. Diplomatic relations reached a new low point in September 2008 when the Venezuela government and the US government expelled each others' ambassadors following allegations by the Morales government (closely linked to Chávez) that US authorities had supported rebellious opposition groups in Bolivia.

The US government also attempted to bring pressure indirectly on Chávez through the OAS. At the June 2005 OAS Assembly in Fort Lauderdale, the US government submitted a proposal to create a special mechanism for monitoring countries' compliance with the Inter-American Democratic Charter which included civil society participation. The OAS member states resoundingly rejected the proposal as a thinly veiled attempt to attack Chávez through the OAS. Once again, at the Panama OAS General Assembly in June 2007, the United States proposed that the IADC be invoked against Venezuela in light of the Chávez government's recent decision not to renew the broadcasting license for the pro-opposition media conglomerate RCTV. Again, the United States failed to rally OAS support against Venezuela.

Unlike the United States, for the EU Venezuela has never been a significant political issue. Trade and development relations are limited, and none of the EU member states maintain particularly close relations with Venezuela. Moreover, the EU does not have bilateral but inter-regional relations with Venezuela, originally until 2007 through the Andean Community and, if its membership is approved, as an emerging MERCOSUR member.

Consequently, the EU approach toward Venezuela lacks an overarching democracy promotion strategy and has been more ad hoc. In contrast to the US emphasis on persuasion and sanctions, economic engagement and political dialogue are the main instruments in the EU's relations with Venezuela. These different approaches to democracy promotion became obvious during the military coup attempt against Chávez, organized by the opposition in April 2002. While the United States blamed Chávez for the circumstances that led to his downfall and showed clear sympathy toward the new interim government of Pedro Carmona, most EU member states condemned the overthrow of Chávez by what effectively amounted to a coup d'état. Since Chávez has been democratically elected, the EU recognizes the government as its main political partner while relations with opposition groups are limited.

Both positive and negative instruments of persuasion are found in the European Union's relations with Venezuela. Since 1998, the Council of the EU issued more than ten Declarations on Venezuela, concentrating on elections, restrictions on political rights, and the need for a peaceful resolution of the conflict between government and opposition. Until 2005, the EU limited its role to political statements by the Council and rhetorical support for OAS and Carter Center efforts to facilitate Venezuelan intra-elite dialogue in favor of a negotiated electoral solution to the political crisis. Moreover, Spain and Portugal (members of the Ibero-American Community) participated in the Group of Friends of Venezuela created in January 2003 to support OAS efforts. In December 2005, the EU sent election observation missions to the legislative elections as well as the presidential election in December 2006. Both missions endorsed the respective elections, albeit with open criticism concerning the weak separation of power between the government and other democratic institutions (European Union 2006b). In its resolution approved on October 23, 2008, the European Parliament also criticized the expulsion of two Human Rights Watch activists, the restriction of political rights of the opposition, and the un-clarified murder of a student activist.

Although European Commission (EC) development assistance to Venezuela is insignificant,<sup>15</sup> the EU is strongly committed to social cohesion and has a certain sympathy for Chávez's social policy and the so-called "missions" (social programs, many of them involving Cubans) in the poor areas of Venezuela. In its Country Strategy, the EC recognizes the Venezuelan Government efforts to tackle poverty and that the "missions" have generated "new opportunities and inclusion for previously marginalized sections of the population." (European Commission 2007b: 12). In its Declaration of December 5, 2007, following the referendum defeat of Chávez's Constitutional reform, the EU stressed the need to strengthen both democracy and social progress in Venezuela (Council of the European Union 2007b). Although this focus is consistent with EU's general development approach of democracy promotion, it lacks a coherent strategy concerning how to address both challenges (democracy and social cohesion) at the same time. This dilemma has also been present in the EU's policy toward other countries of the region, such as Bolivia or Cuba.

Even though at a much lower level than in the case of Cuba, Spain is again the main European actor and "counterpart" of the United States. Similar to the case of Cuba, its policy toward Chávez has more to do with domestic considerations and relations with Washington. But unlike the Cuban case, given the strong role of France, Spain was unable to impose its policy on the EU. The former government of José María Aznar openly expressed its sympathy for the opposition and distanced itself from Hugo Chávez. Political relations between both countries were tense and reached their most critical point during the coup attempt. For the first time ever, on April 12, 2002, Spain issued a joint statement with the United States in favor of the opposition's coup attempt. At that time, Spain pursued the same goal as the United States toward Venezuela: the removal of Chávez from power. The EU did not follow the Spanish example but criticized the coup attempt.

The Zapatero government that succeeded Aznar opted for a clear policy of improving ties with the Venezuelan government. A highly controversial issue was a deal for Venezuela to purchase 12 military transport planes from Spain which was signed in November 2005. However, the US government denied the necessary licenses for US technology contained in the planes, ultimately sinking the purchase. Moreover, bilateral relations suffered a serious setback after an altercation between the Spanish King Juan Carlos and Hugo Chávez at the Ibero-American Summit in Chile, held in November 2007. Subsequently both countries reduced diplomatic contacts reestablished in 2008.

France also maintains close political relations with Chávez, supporting his efforts to mediate with the Colombian FARC for the release of hostages. Chávez paid seven official visits to France (twice in 1999, 2001, 2002, twice in 2005, and in 2007). French–Venezuelan relations share a common respect for national sovereignty and a multipolar world order. Cordial political links go hand in hand with economic interests; after the United States, France is the second largest foreign investor in Venezuela (mainly in the oil and gas sector). Democracy promotion has not been a prominent goal either for Spain or for France in relations with Venezuela.

EU pathways of influence in Venezuela are clearly distinct from those of the United States. As in the Cuban case, and in contrast to the United States' policy of sanctions and intentional high-level diplomatic disengagement, the Chávez government continues to be the EU's main political partner (versus opposition groups). Contrary to the Cuban case, this reflects the absence of a well-defined European democracy promotion strategy toward Venezuela.

### **Competing policy frames in Colombia and Bolivia**

If Cuba and Venezuela are clear examples of conflicting US and EU approaches, democracy promotion has clearly been a secondary goal in US and EU strategies toward Colombia and Bolivia. Although their policy frames are also different toward these countries, they did not produce counterproductive effects. In contrast to Cuba and Venezuela, development assistance has been a key element of US and EU policies toward Bolivia and Colombia.

#### **Peace and drugs versus democracy in Colombia**

As the only country of the region in which stable democratic structures coexist with an armed conflict, Colombia presents a difficult situation for external political engagement. The Colombian conflict has not only produced negative internal consequences in terms of numerous victims of political violence and human rights abuses, high economic costs, and more than two million internally displaced people, but also problems related to security, drugs, and political stability in the Andean region including an inter-state conflict with Ecuador in March 2008. Although democratic institutions and practices have persisted in Colombia, they have come under constant threat from narco-penetration and a culture of violence. The Colombian guerrilla groups FARC and ELN as well as paramilitary groups are strongly involved in the kidnapping and drugs business.

To attack his country's problems, President Álvaro Uribe applied a two-track strategy: first, reinforcing the military presence of the state through its democratic security policy co-financed by the United States; and second, the approval, in 2005, of the "Peace and Justice Law" to find a negotiated way out of the conflict. The balance of this policy is mixed: Official statistics indicate that public security improved. More than 32,000 paramilitaries were demobilized under the Peace and Justice Law, although some of them reorganized into criminal gangs and others are still said to "maintain important influence in Congress" (International Crisis Group 2006: 5). The FARC are also weaker than ever, their numbers nearly cut in half through attrition and sizeable desertions, three of their main leaders killed, and the rescue in 2008 of former Senator Ingrid Betancourt and other hostages. Nonetheless, the guerrilla has not yet decided to demobilize and negotiate with the government, and violence is still at very high levels. At the same time, human rights abuses continue and can be attributed to both state and non-state actors.

The complexity of the Colombian situation and its spillover effects (such as illegal drugs exports and money laundering), especially for the United States, have meant that various issue-areas, including democracy, human rights, counter-narcotics, peace and conflict resolution, and terrorism, have simultaneously vied for US and EU policy priority. In this context of competing policy frames, all too often democracy promotion has been eclipsed by other issues on the policy agenda.

In the case of the United States, the transnational drug trade and the guerrilla insurgency have dominated the bilateral agenda with Colombia. The Clinton government launched Plan Colombia to provide essentially military assistance to the Colombian government to combat the drug cartels and guerrilla organizations like the FARC and ELN. The Bush Administration continued and even dramatically augmented Plan Colombia, albeit with a new policy frame added to the existing batch in the wake of September 11, 2001: terrorism. Democracy and human rights remained secondary priorities.

In contradistinction to its antagonistic relationship with Cuba and Venezuela, the Bush Administration counted Colombia as its closest ally and friend in South America. This has made an important difference in terms of the US approach to democracy promotion in the country. Contrary to the heavy emphasis on hard-line, negative incentives and instruments of persuasion used against Cuba and Venezuela, the United States engaged in more low key, technical democracy promotion activities with a more positive orientation. Its recent emphasis has been

on capacity-building: strengthening democratic processes and institutions, especially with respect to the rule of law (Department of State 2007: 238–41).

It is noteworthy as well that whereas Venezuela has been the target of an ongoing onslaught of public criticism by Bush officials for alleged democracy and human rights violations, the same officials have been largely silent about Colombia's record. Indeed, the State Department has repeatedly stated that Colombia has improved its human rights, despite suggestions to the contrary by human rights organizations (Leogrande 2007: 363).

In terms of pathways of influence, what stands out is the strong bilateral relationship between the two governments. In contrast to the diplomatic disengagement with Venezuela, Bush's March 2007 official visit to Colombia was a key stop on his Latin American tour. The US government has gone to great lengths to strengthen its Colombian counterpart in its internal struggles to consolidate its authority vis-à-vis guerrilla groups and drug traffickers.

Europeans and Americans have dealt with the issues of peace and security very differently. The EU's approach to Colombia has been comprised of a negotiated solution to the conflict, a humanitarian agreement, full respect for human rights and social improvements. Whereas Washington's policy toward Colombia has been aimed at a military solution to the armed conflict, the EU has explicitly denied a "purely military solution to the conflict in Colombia" (EU Presidency 2004).

Europe has been directly involved in conflict mediation. Before Uribe became President in August 2002, EU member states (France, Italy, Spain, and Sweden) participated in the then Group of Friends facilitating negotiations between Government and FARC, while France and Spain were also involved in similar efforts with the ELN. More recently, France, Spain and Switzerland participated in "silent" mediation efforts between the FARC and the Uribe government. The EU is also Colombia's main source of development assistance. The most important EU projects in terms of visibility and impact are the local "peace laboratories" in Magdalena Medio. Colombia is also a major beneficiary of projects financed by the EIDHR centered on peace and human rights.

US policy has clearly focused on strengthening the government's capacity to defeat the FARC militarily and to reduce cocaine production. Until 2004 Colombia was the third largest military aid recipient of the United States, second only to Egypt and Israel. Within the region, more than one third of US military assistance is concentrated on Colombia's fight on "terrorism" and drugs.

From 9/11 on, the EU has moved closer toward the US position. This trend was reinforced by the failure of the peace process under President Uribe's predecessors. Since 2002, Uribe's policy of "democratic security" and the demobilization of paramilitary forces have been supported by the EU, despite ongoing criticism of human rights violations. In its declaration of October 3, 2005 (Council of the European Union 2005), the Council concluded that the Peace and Justice Law will "make a positive contribution" to peace in Colombia. In its conclusions on November 19, 2007, the Council of the EU (2007b) again reaffirmed its full support and assistance for the Colombian Government, although in a more recent Declaration (Council of the EU 2008b), it criticized intimidations and threats against human rights activists. The European Parliament's position toward Colombia has been somewhat different; its resolutions have been much more critical of Uribe's human rights record.

Again, Spain has dominated EU policy toward Colombia, being much more engaged and coordinated than in the case of Venezuela. Under Aznar, one of the closest European allies of the US government, Colombia was a further test-case for his Atlanticist, security-dominated foreign policy. Apart from the UK, Spain was the only EU member state who offered its full support to the US-financed Plan Colombia. In 2000, the Aznar government also organized the first donor conference on Colombia in Madrid.

Opposed by France and Sweden, Aznar convinced the rest of EU member states to classify the guerilla group FARC, the paramilitary AUC and the ELN as "terrorist groups." This shift from considering ELN and FARC as political actors to terrorist organizations was a first step away from the traditional EU dialogue and human rights approach to the Colombian crisis. The security focused policy continued at the third donor conference held in July 2003 in London, when the EU offered its support to the Uribe government in its fight against terrorism and illegal drugs. In June 2004, the EU agreed to support the OAS mission to verify the peace process with paramilitaries. The same year, the Colombian police signed a cooperation agreement with Europol on insurgency, money laundering and illegal immigration. At a bilateral level, Aznar agreed upon military aid for the Uribe government, aimed at strengthening its efforts against "terrorist groups."<sup>16</sup>

The recent EU attitude toward Colombia reflects the difficult balance between human rights, peace and support for Uribe's policy on "terrorism." But unlike the Venezuelan case, the change of government in Spain

had no visible impact on the EU's policy toward Colombia. Although the Zapatero government cancelled Aznar's military deal with Uribe, the Spanish position on the Colombian peace process and support for Uribe did not fundamentally change. Apparently, due to close relations with President Uribe, the Colombian guerrilla group FARC vetoed Spain as a possible facilitator of dialogue with the government (International Crisis Group 2008b: 3).

Unlike Spain, France's relations with the Uribe government are distant. Due to close relations with the Colombian-French former Senator Ingrid Betancourt, France strongly engaged in the release of FARC hostages. But in sharp contrast to the United States, the Sarkozy government supported efforts by Hugo Chávez to reach a humanitarian agreement with FARC and the release of four hostages in February 2007. This special relationship between France and Venezuela created tensions with the Uribe government and the United States.

To conclude, US and EU policies toward Colombia are not aimed at democracy promotion but at human rights, conflict resolution and development in the case of the EU and the fight against drugs and security in the case of the United States. To coordinate these different priorities and to link them with democracy promotion is still a major challenge for EU and US policies toward Colombia.

### **Drugs and development versus democracy in Bolivia**

Political conflict is the main challenge to democracy in Bolivia, the poorest South American country and the third largest coca-producer in the world. With high levels of poverty and political instability, "Bolivia needs both democratic stability and socio-economic progress" (International Crisis Group 2008: 1). Elected in December 2005, Evo Morales is Bolivia's first ever indigenous president. His government attempted to put an end to the old elitist model of representative democracy by creating a new, more pro-indigenous constitution.

Morales' incendiary remarks against the traditional political and economic elite contributed to polarize even further a country already divided by deep social, ethnic, political, and regional cleavages. The East-West division between the white, prosperous, opposition-controlled "half moon" departments and the poor indigenous western highlands became evident in 2008, when the Bolivian departments of Santa Cruz, Beni, Pando, and Tarija held referendums to increase their autonomy from La Paz as well as violent popular protests against the Morales government.



Bolivia's natural gas resources, coca-production and poverty rates have traditionally centered the attention of the EU and the United States, not democracy. These priorities have not changed toward the government of Evo Morales. Similar to Colombia, democracy promotion has been a secondary goal: the EU's policy centers on development and social cohesion, the US strategy on the fight against drugs. Both have economic interests (mainly natural gas) in Bolivia. Due to competing policy frames, both lack a strategy of how to promote democracy, despite an otherwise strong presence in Bolivia. The US Embassy has traditionally been a key actor in domestic policies, while the EU has been politically present through major development agencies.

The United States faces the challenge of how to advance its policy interests in the midst of growing tensions with and anti-American rhetoric by the Morales government as well as a close relationship between Morales and Chávez. The United States itself contributed to bilateral tensions. When Evo Morales first ran for the presidency of Bolivia in 2002, US ambassador Manuel Rocha attempted (unsuccessfully) to sway Bolivian voters against him by threatening a possible withdrawal of US economic assistance should Morales win (Tobar and Enever 2002). Nonetheless, former President Bush personally phoned Morales to congratulate him on the occasion of his presidential election victory in December 2005.

Until recently, the US response to Morales fit somewhere in between its distinct approaches to Colombia and Venezuela. US bilateral relations with Bolivia were neither as friendly as the case of Colombia nor as hostile as with Venezuela. Motivated by the desire to continue to engage Bolivia on the drug front as well as to minimize Chávez's regional influence, US policy toward Bolivia was decidedly more pragmatic. In terms of the logics of influence, the United States employed a mix of incentives and persuasion logics.

On the positive side, the United States pursued capacity-building through democracy assistance, such as training for all members of Congress on legislative procedures (Department of State 2007: 236–8). Bolivia was the fourth largest US aid recipient in Latin America (after Colombia, Haiti, and Peru). The United States also continued to make available material incentives to Bolivia that were cut for Venezuela. Despite stated concerns about Morales' policy on coca cultivation – the shift from a no-coca to a no-cocaine approach – Bolivia continued to be certified annually by President Bush for its cooperation against the drug trade, permitting the United States to continue providing economic assistance. By the same token, in contrast to Venezuela's debarment, the US Government and Congress continued to renew Bolivia's trade

preferences under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) (Ribando 2007).

On the other hand, US government officials also used negative incentives. It is noteworthy that although Bolivia has been deemed repeatedly eligible for Millennium Challenge Account funding since 2004, it has yet to negotiate a Compact with US authorities.<sup>17</sup> This delay might suggest that the US government, favorable to Morales' predecessors, has resisted awarding such funds to Morales due to political motives. Separately, beginning in 2005, the Department of State reprogrammed Economic Support Funds from the Bolivian government to non-governmental organizations.

Under the Bush Administration, the United States also increased its use of negative instruments of persuasion. That is, the number of official statements that are critical of Bolivian democratic practices rose, no doubt in sync with corresponding anti-Bush rhetoric by the Morales government. Thus, in June 2006, USAID official voiced concern about "potentially anti-democratic reforms" (Ribando 2007: 16). In January 2007, then Director of National Intelligence John Negroponte identified Venezuela and Bolivia as the countries where democracy was most at risk in the Americas (Ribando 2007: 16).

Even so, the United States refused to endorse the regionally based opposition's drive for autonomy, officially stating its support for Bolivia's unity and territorial integrity (Casey 2008). Both materially and rhetorically, the United States furnished support for democratic dialogue in Bolivia. The United States also continued to utilize various pathways of influence. USAID project funding, for example, continued to target government institutions such as the Ministry of Justice, and the Office of the Attorney General as well as non-state actors. Moreover, it attempted to channel its influence both directly via bilateral engagement and indirectly through NGOs. It also officially supported efforts by the OAS to facilitate dialogue between the Morales government and the opposition.

US-Bolivian ties took a dramatic turn for the worse, however, during September 2008. In the context of a mounting political crisis in Bolivia, President Morales accused the United States of fomenting rebellion and ordered the US ambassador to leave the country. Acting in solidarity with Morales, Hugo Chávez also ordered the expulsion of the US ambassador in Caracas. The United States responded in turn by expelling the Bolivian and Venezuelan ambassadors in Washington.

The US approach to Bolivia abruptly turned from earlier pragmatism to punitive measures identical to those used against Venezuela. Within

days of the expulsion of the US ambassador from La Paz, President Bush (2008) announced that Bolivia had been designated as one of three countries that had failed to meet its counter-narcotics obligations, a decision that would impact negatively on incentives. In October 2008, the Bush Administration suspended Bolivian trade preferences under the Andean Trade Preferences Act, potentially affecting 20–30,000 Bolivian jobs (Partlow 2008).

The EU's policy toward Bolivia is mainly channeled through development assistance. With nearly \$400 million per year (compared to \$124 million funded by the US), Bolivia is the second largest EU aid recipient in Latin America, and Europe concentrates half of the country's total aid flows (European Commission 2006). The EC is funding development projects to the tune of about €45 million per year, which accounts for nearly 13 percent of its aid flows to Latin America. About €3 million are channeled by the EIDHR program, distributed in 12 smaller projects, most of them to strengthen indigenous rights and communities. Germany, the Netherlands, and Spain included Bolivia in their top aid priorities.

Given that approximately 11 percent of the country's national budget depends on development assistance (Gamarra 2007), the political influence of the EU in Bolivia should not be underestimated. General criticism that EU aid allocations have not been sufficiently linked to democratic progress (Youngs 2008: 2) can be applied to Bolivia. As part of the internal political game, the EU has influenced Bolivian policies in seemingly contradictory ways. On the one hand, Europe cooperated with former Bolivian governments that were reluctant to distribute wealth in the poorest country of the region and may thus have helped strengthen pacted, exclusive democracy. On the other hand, democracy assistance of the EC and member countries focused on decentralization, local autonomy, and indigenous empowerment, thus indirectly reinforcing the forces for political change in Bolivia.

Contrary to US practices, European actors thus far have not applied negative persuasion instruments in Bolivia. As in the other country cases, positive forms of incentives and persuasion via trade, development assistance and political dialogue (mainly in the framework of the Andean Community) have been the dominant pattern of the EU's relations with Bolivia. Election observation has been a further EU initiative to promote democracy in Bolivia. Invited by the Morales Government, in July 2006, the EU deployed a mission to the election of the Constituent Assembly and the referendum on regional autonomy certifying "credible and genuine elections" (European Union 2006a).

With respect to the political confrontation between the Morales government and opposition, in its Declaration on April 11, 2008, the Council stressed the need for a national dialogue in Bolivia and declared its support for the efforts of the Group of Friends (Argentina, Brazil, and Colombia), the Catholic Church and the OAS to “help effect rapprochement that will enable the parties to return to the table” (Council of the European Union 2008a). Without any comment on the diplomatic conflict between Bolivia and the United States, following the agreement between Morales and the opposition on a forthcoming constitutional referendum, the EU congratulated “the Bolivian government as well as all the parties involved on the quality of the work they have accomplished” (Council of the EU 2008c). Also, EU diplomats have been involved in internal conflict resolution and the Bolivian government declared that it was considering a mediation role for the EU (International Crisis Group 2008a: 12).

The same “soft-line approach” dominates EU’s antinarcotics policy. In contrast to the US eradication policy, the EU’s antinarcotics strategy is focused on “alternative” or more recently, “comprehensive development” replacing coca with agriculture products (European Commission 2007a: 5). Bolivia also participates in the high-level political dialogue on drugs between the EU and the Andean Community. The EU’s anti-narcotics policy is equally based on the demand and supply and sustained by the principle of co-responsibility, respect for human rights and development.

Like the United States, the EU also has economic interests in Bolivia that compete with both the promotion of democracy and development. Again, Spain is a major player in this game. Apart from development assistance, Spain has important economic interests in Bolivia, particularly in the energy sector. The multinational Repsol-YPF of Spanish origin is the second largest foreign company operating in Bolivia, responsible for 27 percent of the country’s gas reserves prior to nationalization (Gamarra 2007: 21).

Consequently, Repsol-YPF has been negatively affected by the nationalization decree of May 1, 2006. In a certain way, Spain’s two top priorities toward Bolivia, social progress and energy interests, contrast with the minor goal of democracy promotion. Accusations against the former colonial power Spain further contributed to bilateral tensions. Relations with Spain and the EU were complicated under the Morales government on different fronts: on the role of foreign investors after the nationalization of natural resources; on trade liberalization in the framework of ongoing EU–Andean Community

negotiations; and, more recently, on migration after the EU approval (in June 2008) of a Directive which reinforces the return of illegal immigrants. Despite these issues, the EU recognizes and actively supports the efforts of Morales to improve social conditions and indigenous rights. Nonetheless, as in the case of Venezuela, since bilateral relations are part of the EU's collective dialogue with the Andean Community, the EU has not defined a democracy promotion strategy toward Bolivia.

### **Conclusions: transatlantic divergence**

Our general overview and brief look at Cuba, Venezuela, Colombia, and Bolivia confirm that the European Union and the United States do not share similar goals nor instruments and partners when it comes to promoting democracy in particularly "problematic countries" in the Americas. Although policies are similar in "unproblematic" countries and despite a transatlantic consensus on democracy as a principal value in the Americas, considerable divergence exists in terms of the means toward that end. Accordingly, an important insight from our study is that we need to make a sharp distinction between *democracy and human rights norms* and *democracy promotion norms*. The experience of the United States and the EU in the Americas suggests that how democracy ought or should be promoted is characterized as much by norm competition as by norm consensus. Moreover, what is permissible or not permissible in terms of democracy promotion is not simply a utilitarian policy choice between various policy options but normatively conditioned.

Our examination of the aforementioned countries reveals, for example, significant differences in terms of each respective actor's objectives and preferred logics and instruments of influence to achieve them. The United States is more apt than the EU to employ "hard-line" forms of incentives and instruments of persuasion in unfriendly countries, often aimed at the ultimate goal of *regime change*. Particularly under the Bush Administration, the United States has resorted to the use of force, sanctions, "electoral intervention," and supporting dissidents to undermine governments.

From a normative standpoint, the EU generally does not condone these types of democracy promotion measures. The EU prefers to apply soft instruments and different types of incentives. Thus, the engagement of incumbent governments through development assistance, trade, and political dialogue in the interest of *regime reform* is the

dominant pattern of the EU's behavior toward problematic countries. Light sanctions and diplomatic pressure are the ultimate resorts of the EU if its "transformative engagement" fails, but seldom does it sever its diplomatic ties with these governments as the United States has done in Cuba, Venezuela, and most recently in Bolivia.

Both the United States and the EU also respond differently to the challenge of democracy defense. Due to the ongoing threat of authoritarian reversal, the United States has evolved its tools as much to defend democracy through bilateral and multilateral means as to promote it over the longer run. This is consistent with the overall thrust of the multilateral Inter-American collective-defense-of-democracy regime. By contrast, the EU is comprised of an exclusive club of established democracies. Different to the United States, the EU has neither defined a Democracy Charter nor any other collective instruments with its Latin American counterparts. Although EU members have considerable experience supporting democratic transitions in their neighborhood, with the possible exception of brief crises in Greece and Austria, they have never really had to worry about serious threats to any member's democratic order. Accordingly, the EU has little home-grown experience defending democracy. By extension, it is not a priority in its relations with Latin America.

Finally, our analysis highlights various common challenges facing the United States and the EU. The Cuban case and to a lesser degree the Venezuelan one, for example, underscores how the contrasting US policy of sanctions and isolation and the EU policy of engagement and dialogue can be counterproductive and thereby help sustain an authoritarian regime. The Bolivian and Colombian cases underline a policy quandary in which democracy promotion must compete and be reconciled with rival policy frames, such as counter-narcotics and terrorism in the case of the United States, peace and development (social cohesion) for the EU, and economic and energy security interests for both. If the United States and the European Union are to work through these challenges as well as toward a greater transatlantic consensus on democracy promotion in the future, an important step in that direction must be closer consultation and coordination now.

## Notes

1. On the current democracy problematic in the Americas, see Legler, Lean, and Boniface (2007); Smith (2005); and the UNDP (2004).
2. On the 2004–2005 Ecuadorean crisis, see Levitt (2007).

3. [www.usaid.gov/our\\_work/democracy\\_and\\_governance/](http://www.usaid.gov/our_work/democracy_and_governance/)
4. The EIDHR was replaced in December 2006 by the Financial Instrument for the Promotion of Democracy and Human Rights, see: Diario Oficial de la Unión Europea, Reglamento (CE) 1889/2006 del Parlamento Europeo y del Consejo de 20 de diciembre de 2006, December 29, 2006.
5. Consistent with the four-part typology of logics of influence used throughout this volume, by negative instruments of influence we mean specific instruments that are intentionally meant to have a punitive or discrediting effect on the target state, such as the use of sanctions (negative incentives) and “naming and shaming” (negative forms of persuasion). Our use of the notions of negative and positive instruments is not intended to convey a normative judgment on the relative merits of US and EU democracy promotion but rather to facilitate comparative research.
6. On the evolution of the OAS collective-defense-of-democracy regime, see Cooper and Legler (2006).
7. For a good discussion about authoritarian regimes, see Hadenius and Teorell (2007).
8. See the interview of Tom Shannon in *El País* (June 22, 2008).
9. The related Commission for Assistance to a Free Cuba has published two documents; both are a blueprint of Cuba’s transition designed in Washington.
10. At a decision taken by the Latin American and Caribbean Rio Group in 1999.
11. Interview of Felipe Pérez Roque in Angola, June 25, 2008.
12. Declaración sobre la reanudación de la cooperación entre la Comisión Europea y la República de Cuba, Havana, October 23, 2008.
13. On the collapse of the Punto Fijo system, see McCoy and Myers (2004).
14. See, for example, Corrales (2006), Human Rights Watch (2008), and Shifter (2007).
15. The European Commission (2007b: 5) allocated €40 million for six years.
16. Agreement between the Spanish and Colombian Defense Ministers, signed September 23, 2004.
17. As mentioned beforehand, the Millennium Challenge Account (MCA) is a special fund created by the Bush government that rewards economic assistance to select countries for improvements on a series of economic and political indicators. Once a government is deemed eligible for MCA funding, it typically negotiates a “Compact” with US authorities: a US-funded development project. See Curt Tarnoff (2007).

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# 8

## US and EU Strategies to Promote Democracy in Indonesia

*Rachel Kleinfeld*

Indonesia is a democratic success story. Since 1957, the world's fourth most populous country and largest Muslim state, a major regional power and leader of the Non-Aligned Movement, had been subject to autocratic rule. Indonesia had experimented with a unique *duifungsi* (dual-power) political system from the mid-1960s onward, in which power was jointly held between the military and an unelected civilian strongman with a handpicked parliament (Bhakti 2003). Despite authoritarianism and increasing corruption, the regime gained legitimacy in the West from its anti-Communist credentials, and at home from its economic performance, which transformed an impoverished nation into one of the renowned Asian Tigers of the 1990s.

The Asian economic crisis, however, catalyzed a sea-change in Indonesia's politics. In 1997, speculators brought Indonesia's economy to its knees. Street protests ensued against the "corruption, collusion, and nepotism," (KKN) Indonesians blamed for their economic destruction. Its legitimacy destroyed, the government began to totter.

Economic factors sparked the transition from President Suharto's rule, but they did not determine its direction. Suharto could have ordered a Tiananmen-style crackdown. Yet with the military's loyalty split and factionalism raging, he was unsure of the support of the armed forces that composed the power base of his Golkar party. He could have resigned in favor of a new authoritarian leader who would reconsolidate power: indeed, he quickly selected a new vice president who was considered a sycophant and placed more relatives in positions of power. Alternatively, the protests, already turning into anti-Chinese pogroms, could have consumed the country in power struggle and civil war.

Instead, Indonesia underwent a steady process of relatively uninterrupted democratic transition. Declaring an interim government, Vice

President B. J. Habibie distanced himself from Suharto by lifting controls on the press, political parties, and unions. He also undertook the first of a series of four constitutional amendments made between 1999 and 2002 limiting Executive power by mandating two terms of office, creating a constitutional court, and enshrining human rights provisions. Two presidential elections (held by parliamentary not popular vote) followed. President Abdurrahman Wahid, a renowned human rights activist and revered Muslim leader, allowed restive East Timor to hold a referendum on independence, yet failed to stop the military-catalyzed violence that ensued. In a decisive move crucial to Indonesia's democracy, he seized on the army's weakness following the referendum to end the *duifungsi* system and strip the military's enshrined political power.<sup>1</sup> Wahid also sidelined the leading politicians and supporters of the former New Order government, marking the first clear break with Indonesia's pre-reform elites (Liddle 2001). Parliament's impeachment of Wahid after spiraling separatism and a series of poor political decisions brought Megawati Sukarnoputri to power in 2001. Democratic reform stagnated, but constitutional revisions passed during these years mandated direct elections for president (B. A. King 2004). A tidal wave of public support brought Susilo Bambang Yudhoyono (SBY) to power in 2004.

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While much work remains to improve the rule of law and reduce the still-endemic corruption, collusion, and nepotism that plague the political system (key elements of SBY's electoral platform), democracy in Indonesia has made significant strides towards consolidation just ten years after a tumultuous transition.<sup>2</sup>

What role did the US and EU play in assisting the initial transition to democracy in Indonesia, and what strategies did they use to promote democratic consolidation? This chapter will argue that the US and EU did nothing to affect the initial transition away from authoritarianism. Supportive of Indonesia's anti-communism, the US did not even promote democracy there until 1989 – and its subsequent efforts at direct capacity-building to state institutions, as well as direct persuasion and incentives aimed at state institutions (particularly a long military embargo to improve human rights), did not have a decisive impact on the transition. Meanwhile, the EU did not even have an Indonesia policy until after democracy had already arrived in the archipelago. With the US ineffective and the EU absent, the most significant external

actors in Indonesia's democratic transition were the currency speculators who spurred an economic implosion, and thereby inadvertently brought down Suharto's regime.

However, the US had a significant role in channeling Indonesia's political transition towards democracy and away from renewed authoritarianism or ethnic violence and separatism. The US mastered the use of direct and indirect capacity-building to non-state actors who played a major role in channeling violent unrest towards democracy in the aftermath of Suharto's resignation. The EU employed a similar set of strategies, and also had some success with indirect capacity-building to non-state actors. Its support, however, proved less decisive. The EU was less adept at both direct and indirect capacity-building for non-state actors, and chose to remove its funds before reaching its goals. In fact, a crucial irony in US and EU engagement with Indonesia is that, though both ended up finding a quite successful strategy that had real impact on the consolidation of democracy, neither fully realized what they were doing. While the US had a stronger understanding of direct capacity-building to non-state actors than the EU, both abandoned their indirect capacity-building efforts with little understanding of the unique benefits of that strategy, or the success they were relinquishing.

## **The US in Indonesia**

For decades, the US supported Indonesia's autocracy as a bulwark against communism. President Suharto, whose path to power was paved with a massacre of communists, was lauded as a key ally in the region. America provided most of Indonesia's military equipment and trained thousands of top Indonesian military officers.

The end of the Cold War, however, freed the US Congress to express its moral disapprobation for authoritarianism, after years of turning a blind eye to human rights abuses worldwide in return for anti-communist assistance. When Indonesia's military killed 271 unarmed civilians in a funeral procession in East Timor in 1992, Congress barred Indonesia from the coveted International Military Education and Training (IMET) program. The US government was never united in its support of Congress' strategy. Under both Republicans and Democrats, the US Executive sought to engage Indonesia as a preferred means of influence, while the Department of Defense (DoD) also believed engagement – particularly of Indonesia's powerful military – was in the US interest and was a better method of bringing about reform.

Yet Congress' wedge in an otherwise supportive US stance grew incrementally from 1994 to 1996 into a full arms embargo (US Congress FY 1992–1996; House Concurrent Resolution 1991; Berrigan 2001). Despite constant DoD lobbying to overturn the sanctions, some DoD and Executive level evasion in which they offered military training to Indonesia against Congress' wishes, and some weakening in the terms of the embargo before it was strengthened again in 1999, the US maintained an embargo against military training for 12 years, and also banned equipment sales for large portions of that period (US Congressional Hearing 2005).

Embargoes on military training and arms sales were a form of direct persuasion and negative incentives used against the state to bring about change. Short of force, these were the strongest possible pressure that the US could bring to bear. Any action against the military had political consequences under Indonesia's *duifungsi* system, which gave Indonesia's military a powerful role in government. The US was Indonesia's main military supplier, and the embargo was crippling. As many as 60 percent of the Indonesian Air Force's planes and helicopters became inoperable due to lack of replacement parts, and even aircraft transferred from Germany were inoperable due to a lack of US avionics equipment (Wenseslau, Sunudyantoro, and Mogul 2005; Berrigan 2001). The military's weakness was exposed after the tsunami, when it could not airlift aid to the people of Aceh. Ending the embargo was a priority for Indonesia's government.<sup>3</sup>

Direct use of negative incentives and persuasion against the state, however, proved to be a poor strategy. Instead of improving human rights, Indonesia's record continued to be dismal. In 2002, Indonesia's military killed two unarmed US citizens in Papua, leading to an even more stringent embargo.<sup>4</sup> According to the US Department of State Indonesia country report on human rights practices in 2004:

The [Indonesian] government's human rights record remains poor; although there were improvements in a few areas, serious problems remained. Government agents still continued to commit abuses... Security force members (which comprises of the Indonesian Armed forces and the National Police) murdered, tortured, raped, beat, and arbitrarily detained civilians. (US Department of State 2005: 1)

The terms of the embargo were hardly impossible for Indonesia to meet. While broad human rights improvement was required for full

reengagement, military training could resume whenever the US Secretary of State certified that cooperation into the 2002 murders was improving. Indonesia, however, made no attempt to satisfy even that modest conditionality. Instead, it pressed DoD and business interests in America to lobby Congress, and began to diversify its weapons purchases. Fearful of losing military sales, and desirous of resuming engagement with a new generation of Indonesian military officers to assist the fight against terrorism, the Bush Administration (aided by a Republican Congress) used the shock of Indonesia's plight after the tsunami to roll back the embargo (Haseman and Lachicao 2005).

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The failure of powerful negative incentives to work after 12 years is testament to Indonesia's nationalism and fierce anti-colonialism (Steinberg 2004). The same forces reduced the effectiveness of another common strategy: direct persuasion used against the state. For instance, following the East Timor referendum for independence and ensuing massacres, the US participated in the international chorus of condemnation. Indonesia finally agreed to try the generals responsible – but then failed to convict any of those tried. Diplomatic pressure not only failed to bring perpetrators to justice; it was used by Indonesian politicians to drum up nationalistic pride and reduce sympathy for human rights violations. Suharto had long attempted to portray human rights as “foreign imports” and Western instruments of economic expansion intended to keep former colonial states like Indonesia weak.

The embargo played into this narrative. International pressure to try the generals accused of human rights abuse was easily spun by Indonesian politicians as the “West” trying to keep Indonesia weak by allowing secessionist movements to thrive. President Megawati described the military leaders involved in East Timor as national heroes, and encouraged Indonesians to view East Timorese independence as a national humiliation. Speaking in December 2001 to mark National Army Day, she told the military: “Armed with the soldiers’ oath and existing laws, carry out your duties and responsibilities in the best possible manner without having to worry about human rights abuses” (Human Rights Watch 2002). To the present, politicians and even rule of law activists in Indonesia resent the strong-arm diplomacy used by the international community to force the tribunals, and are unwilling to condemn the brutality in East Timor.<sup>5</sup>

While Congress believed in negative incentives and rhetoric, the President (across Democratic and Republican administrations), DoD, and State Department favored positive persuasion and socialization. During the mid-1990s, the Clinton Administration experimented with cozying up to Suharto, as part of its attempt to delink human rights from economic issues and pursue a strategy of positive engagement. Indonesia was seen as a test case for a larger goal: engagement with China (Sanger 1995). While Clinton could not sway the Democratic Congress, George W. Bush's Administration finally achieved the same goal. Their interest in engagement was not necessarily venal or self-interested, although economic and security interests certainly played a role. Many believed that this more positive path would have greater influence (Pomper 2000). Deputy Assistant Secretary Aurelia Brazeal argued in 1997 for a reinstatement of IMET, claiming that: "We can think of no better means of encouraging better human rights performance by Indonesian military officers than giving them extensive exposure to US military forces with our doctrines of respect for civilian authority and the rights of civilian populations" (House Committee on International Relations 2005). Or, as the top US-Indonesian cooperation council wrote:

One Indonesian major, after spending a year at the US Army Command and General Staff College at Fort Leavenworth, told his military sponsor the thing that most impressed him about the United States was that "everybody obeys the law." By that he meant such apparently-trivial (to Americans) concepts as stopping at traffic signs, paying taxes voluntarily, accepting traffic tickets, and – most remarkable to Indonesians – that American military officers have no greater authority or power than ordinary civilian citizens. (Haseman and Lachica 2005)

Given the lack of success of negative persuasion, it is tempting to believe positive persuasion and socialization would perform better. As the former Minister of State Owned Enterprises during the Megwati Administration claimed, "Basically, everything the US does is strategically wrong...and tends to be exploitative. One thing it did do well is the Fulbright program, so leaders could learn and see the broader world."<sup>6</sup> Moreover, there is some reason to believe that it was socialization into broader norms of a world moving towards democracy that pushed General Wiranto, Indonesia's top General, from suggesting a Tiananmen-like option to President Suharto in the aftermath of the 1997 economic implosion. General Wiranto was known to care about



his international reputation and the ties he had built with foreign militaries, and undoubtedly realized these would be jeopardized by a bloodbath (Wiranto 2003).

However, remembering the Indonesian military's dismal human rights record (and the corruption of Indonesian leaders who were Fulbright scholars) should give equal pause to that line of reasoning. Socialization seems to have no better track record than negative persuasion in assisting Indonesia's democratic culture.

In its use of negative and positive persuasion and incentives, the US was plagued with an inability to speak with one voice across agencies, harming credibility and allowing Indonesians to feel that they could play agencies against one another rather than bend to demands. However, even had the US been able to coordinate its message, results may not have been positive. Indonesia's deep anti-colonialism gave it an antipathy towards being strong-armed, and politicians who could portray foreign demands through colonialist lenses could garner public support to hold the foreigners at bay, even if Indonesians agreed with the substance of foreign demands. Thus, negative persuasion and incentives were ineffective means of pursuing reform in Indonesia, while positive persuasion did not have clear results.

Instead, serious US engagement to promote democracy in Indonesia arrived via another path of influence: direct and indirect capacity-building for non-state actors. While not decisive in the transition to democracy, these forms of influence – particularly indirect capacity-building – would prove a decisive contribution to shaping political turmoil and moving Indonesia towards a consolidated democracy.

In August 1989, as the winds of democratic change began to breeze across Europe, the US Agency for International Development's (USAID) Asia and Near East Bureau issued a cable across its field posts calling for action to assist transitions to democracy – repeatedly mentioning Indonesia (Steinberg and Luhulima 1994). The USAID office in Jakarta swiftly created a three-year plan for democratic initiatives concentrating on four spheres: the legislature, media, legal infrastructure, and civil society advocacy organizations.

The indirect capacity-building to state institutions that formed part of this effort had mixed results. Grants to the Asia Foundation helped create a Congressional Research Service-style research arm for the Parliament, and provided legal and judicial training as well as other legal programs. A 1994 evaluation of these Asia Foundation grants found that they held some promise, but would have little impact on democratization: for instance, the best and the brightest from the University of Indonesia

were unlikely to remain in unrewarding jobs such as providing research to a rubber-stamp legislature chosen by the Executive (Steinberg and Luhulima 1994). Instead, this funding was part of a “holding operation awaiting more propitious times” that could continue at modest levels, and would prove its worth if democracy ever arrived, but would not bring the desired political change (*ibid*). These programs did no harm, and the parliamentary research service may have laid some groundwork for more professional legislation (although that is a matter of dispute even today). Yet they would not be crucial to Indonesia’s democratic transformation.

Direct and indirect funding to non-state actors, however, was a decisive US contribution to Indonesia’s transition to democracy. A tiny amount of funding, so small that it was seen by some as simply lip-service to domestic constituencies rather than a real commitment to democracy, would have outsized effects in shaping the direction of the democratic transition.

USAID was aided by the fact that it allowed the local Mission to have discretion over the small amount of funds allocated to the democratization programs. Just three months after the Asia Foundation submitted its proposed program to meet USAID’s August 1989 objectives, funding started to flow (*ibid*). Thus, beginning in 1990, USAID provided funds directly to advocacy NGOs and indirectly via the Asia Foundation to create a base of democratic advocacy in Indonesia.

USAID was not alone in its focus on Indonesian NGOs. The United States also used other indirect methods to fund local NGOs in Indonesia. In 1991, the National Endowment for Democracy and its four institutions (the National Democratic Institute (NDI), International Republican Institute (IRI), labor (ACILS), and business (CIPE) all began supporting Indonesian NGOs working towards an open society and democracy. The US government provided regular Congressionally appropriated funding to the operating budgets of these agencies, and occasionally requested projects, but once funding was granted, these organizations operated as independent US NGOs. ACILS provided legal and humanitarian assistance to labor organizations and dissidents. IRI assisted local NGOs in drafting an election law. And in 1996, NDI began working with the Komite Independen Pemantauan Pemilu (the Independent Election Monitoring Committee, or KIPP) an Indonesian NGO founded to promote clean, meaningful elections. In May 1997, KIPP would overcome regime harassment to conduct Indonesia’s first independent assessment elections for parliament (National Endowment for Democracy 2008).

While these efforts did not involve large sums of money, they would grow: from 1995 to the fall of Suharto’s regime four years later, USAID

alone spent over \$26 million to assist Indonesia's civil society and the opponents of Suharto. The funding was nothing in comparison to USAID's budget, but it dwarfed all other sources of funding to Indonesia's NGO sector in the early to mid-1990s when democracy appeared distant. Nor was funding all that the US provided: when the Indonesian government noticed the growth of the NGO sector and attempted to further reduce the independence of advocacy NGOs, the US was part of an international chorus to kill the Executive decree (USAID 1996). The US also provided a powerful umbrella of support for the growing, restive Indonesian civil society that was increasingly pressing the government for reform (Steinberg and Luhulima 1994).

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For the US government, which often acted without knowing quite why, the clarity of the strategy was an important element of its ability to leverage small amounts of money towards larger success: the US was channeling money to American NGOs which would in turn work with Indonesian NGOs to build local capacity, skills, and networks that could pressure the government for change. The name of one of the USAID funding vehicles, "Increased Effectiveness of Selected Institutions Which Promote Democracy," says it all. As a USAID spokesperson in Jakarta explained, the monetary support was necessary to ensure the survival of private groups that had become leaders of Indonesia's opposition movement (Weiner 1998). That NGO leaders did indeed become the locus of organized, effective opposition to the regime was testament to their own skills and to US support.

Indonesian NGOs played some role in transition, but their greater contribution was in channeling the consolidation of Indonesia's new political system in a positive direction. The role that Indonesian NGOs would play in the consolidation process was not initially apparent. Indonesia's NGOs were well-suited to the oppositional politics. But a common trope among Indonesian NGO leaders was antipathy and distrust towards the government; a temperament ill-suited to engaging with state institutions to assist their democratic consolidation. In the years just after the transition, however, state agencies were reaching out for help. As the winds of change began blowing, and the weathervane spun in uncertain directions, reformists inside the bureaucracies tried to gain clout over their unwilling colleagues. These reformists needed help from outside their agencies, and such assistance could make or break the democratic moment.

Assisting state agencies was uncomfortable for the older generation of NGO leaders who had been forged in the opposition. However, the Asia Foundation's legal education program at the University of Indonesia, funded by the initial USAID grant in the early 1990s, had created a set of reformist students who were mentored by the founders of the Indonesia Legal Aid Foundation, Indonesia's leading democracy and human rights NGO – itself funded by USAID decades earlier (Patra and Zen 2002; Weiner 1998). Recognizing that a constitutional moment would occur in the months after Suharto's fall, these mentors had provided the students with free space and initial funding to start an NGO working towards legal and constitutional reform. Soon, this NGO had birthed two sister organizations which shared space, ideas, and a savvy, pragmatic approach towards the government. Unlike the previous generation of activists, these NGO leaders were willing to work with government agencies to help them improve, recognizing that they would have to sully their hands in the process.<sup>7</sup> The Asia Foundation's local program managers were able to spot a rare opportunity far earlier than Washington could have. With flexible, grant-based funding from USAID, they began to provide support.

These NGOs published a book in 1999 on judicial independence – a novel idea at the time. In a desire to enact the changes they had described, they then brought together additional NGOs to form a Coalition for a New Constitution, through which they lobbied members of parliament and presented draft resolutions to forward ideas, such as the need for a Judicial Commission and a bicameral parliament, key democratic reforms that were later written into the constitution. They built enough trust with experts on the constitutional drafting boards that they were provided with drafts of revisions and allowed to submit counterproposals, offering important constitutional changes that solidified greater judicial independence and internal oversight.<sup>8</sup> The Asia Foundation supported the constitutional work, assisting in amendments to transfer administrative powers from the Ministry of Justice to the Supreme Court, to make the courts truly independent.

The NGOs then “decided we needed to have some friends in the judiciary if we are going to make a hole for reform there,”<sup>9</sup> and played a crucial role in selecting the Judicial Commission that was appointed to clean up the judiciary from the inside. To influence parliament's selection of judges, they published a book with the track record of each judge, then lobbied Members of Parliament individually and collectively to appoint less corrupt judges. During the second round of selection of the Judicial Commission, they went even further. Frustrated by the

poor quality of candidates applying, they personally located reformists and promised them civil society backing and positive publicity if they applied for a seat on the Commission. Through this intervention, they placed a few people known to them to be honest and able on the crucial Commission in charge of censoring judges.<sup>10</sup>

Another window of opportunity opened when Bagir Manan, a distinguished legal scholar with deep ties to the legal reformers in civil society, was appointed Chief Justice of the Supreme Court.<sup>11</sup> With Manan in power, the NGOs had traction – as well as a chance to work with the highest levels of the court to reform the corruption in the judiciary (The Asia Foundation 2001). The NGOs worked with Manan to devise a series of blueprints for Supreme Court reform based on their 1999 prescriptions.<sup>12</sup> Because Manan and his reformers were isolated at the top (he once told an IMF official that he “didn’t even trust his secretary”) the rest of the court was initially unreceptive. The NGOs worked and compromised to get buy-in across the reluctant Supreme Court.<sup>13</sup> They also enabled Manan to evade the corrupt court bureaucracy by asking foreign donors to bypass his own staff and send their money to the NGOs for their work with his court.

Indonesia still has a long way to go on democratic, particularly rule of law, reform. Nevertheless, as Douglas Ramage, Asia Foundation leader, remarked in congressional testimony, “Indonesia is a country where the US has gotten it right – In other words, through assistance to build democracy starting in the 1980s, a full decade before Soeharto fell, the United States invested in organizations...and individuals who have since become the leaders of today’s democratic Indonesia” (US Congress House Committee on International Relations 2005).

The creation of reformists and leaders through direct and indirect capacity-building has been one of the United States’ most successful levers for moving Indonesia towards democracy. USAID’s partnership with the Asia Foundation was especially beneficial, and highlights the strengths of this indirect strategy. Unlike a US-contractor, the Asia Foundation’s five decades in Indonesia allowed it to create a local force for shared values, without the colonialist baggage a direct program from the US to civil society would have carried.<sup>14</sup> Moreover, because the Asia Foundation hired Indonesians as program managers, they did not fall into the common trap of equating an NGO director’s ability to speak English with competence for performing the actual job at hand. By buffering local NGOs from the whims of Washington DC program changes and desire for quick results, the Asia Foundation was able to nurture a group of NGOs who could undertake the long, slow work

of rule of law reform without switching to accommodate a changing donor focus based on political needs in the United States.<sup>15</sup> And because the Asia Foundation was an independent organization receiving funding from many bilateral donors, it did not shy from funding political work necessary to change power dynamics in Indonesia, work that may have been inappropriate for the US to fund directly in another country (Steinberg and Luhulima 2004). From the early 1990s to 2005, USAID would provide the Asia Foundation with grants rather than contracts, giving them maximal flexibility, allowing them to respond to windows of opportunity and move funding quickly to make an impact on a political time frame, not a development time frame.<sup>16</sup>

USAID, however, never understood the positive side benefits it gained through the unique Asia Foundation program. While it understood the strategy of capacity-building for non-state actors, it did not understand the indirect dimension of this strategy. Instead, USAID viewed the Asia Foundation simply as a contractor, no different to any US-based private contractor whose programs included some civil society development.<sup>17</sup> Working through the Asia Foundation had simply been useful: having been on the ground for decades, they could quickly get to work on a project of political importance to Washington in the late 1980s. Inertia, personal relations, and a strong Washington lobby carried them for 15 years. USAID had made a serious impact without knowing that it had done so, or why. In 2005, it decided to end the grant that had funded the Asia Foundation's work, and create a more normal contractor vehicle, the SCORSA program. It wanted to diversify its funding, and placate the lobby of other contractors who felt cut out of the significant funds flowing to the Asia Foundation (Steinberg and Luhulima 1994). USAID bid out the new program, without a thought to the change in strategy it entailed.

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Indirect capacity-building to local NGOs was America's main contribution to Indonesia's democracy – but it was not the only successful intervention. The United States has also done a great deal of direct capacity-building to state institutions. Its varied programs with the Office of Transition Initiatives (OTI) at USAID provided \$30 million for short-term reforms from 1998 to 2000 in an attempt to alleviate deep problems in Indonesian society, such as decentralization of Parliament and addressing the separatist violence in Aceh – and generally failed. This was not a surprising outcome, given the depth of the consolidation

issues OTI tackled, and its limited funding and time horizon. However, OTI programs that provided rapid response funds, such as election assistance in 1999, or rapid funding linked to longer-term initiatives, such as efforts to strengthen the free press that began during the first round of elections, had greater success (Durette and Slocum 2001).

The US played perhaps the most meaningful role in direct capacity-building to state institutions through its assistance to the police force. In 1999, the International Criminal Investigative Training Assistance Program (ICITAP), the Department of Justice agency responsible for police training overseas, sent a small delegation to assist Indonesia's police in riot control before the elections. Helping the human rights abusing police who were still a part of Indonesia's military was controversial. The program was ended until the following year, when the unrest in East Timor allowed President Wahid to disassociate the police from the military and make them a civilian force. In 2000, when the police became independent, ICITAP, began implementing a training program in "democratic policing."

While ICITAP generally provides short technocratic programs that often do little to alter local culture or power structures, in Indonesia, ICITAP innovated in ways that might allow its programs deeper success.<sup>18</sup> With a highly skilled Indonesian staff, ICITAP aimed to build a professional, ethical, and competent police force that would uphold the rule of law. It launched a unique program of "institutional transformation" geared to strategically consider "the driving forces of the reform process" in order to "change the whole structure of behavior, methods, and ethics of the police."<sup>19</sup> The police academy rearranged its entire curriculum to fit the five-month field-officer training program ICITAP created, and has revamped its officer career path to make training at the academy a respected job rather than a career dead-end. ICITAP launched a program to collect crime statistics, help the Indonesian police analyze these statistics and allocate funding and personnel by these objectives – a program based on success in New York City that was willingly adopted by the Indonesian police. It is too early to judge the effectiveness of the new approach, but ICITAP's efforts have already yielded procedural innovations that might help consolidate Indonesia's rule of law over time.

After the Cold War's resolution eroded US support for Indonesia's autocracy, America attempted various methods to move Indonesia towards democracy. What may have appeared to be its strongest method of influence – a military embargo employing significant direct persuasive and incentive-based pressure against the state – turned out to have

little effect. Instead, direct and indirect assistance to non-state actors in civil society was America's greatest contribution to democracy promotion in Indonesia. While the advocacy NGOs that had received years of funding and capacity-building from the US did not play a decisive role in the mass protests that brought down the Suharto regime, they channeled unrest in positive directions during the year of interim government. By providing reform blueprints and assisting with creating constitutional structures, they helped steer Indonesia towards a constitutional democracy, rather than leaving the state to spin into bloodshed and civil war. While not decisive to the transition, these NGOs were crucial to democratic consolidation.

### **The EU in Indonesia**

Unlike the US, which supported Indonesia's autocracy until it chose to condemn it, the EU largely ignored Indonesia altogether until after democracy had taken hold.

Until 2000, the EU had a strategy towards democracy in Indonesia that could charitably be called "incentive-based," but really amounted to no strategy at all. The EU had only peripheral relations with Asia, a region so far outside its sphere of influence that the entire Asian landmass did not merit its own silo within the EU bureaucracy, but was conjoined with Latin America as the Asia-Latin America (ALA) region. The EU had made a strategic decision to develop region-to-region relations with ASEAN rather than bilateral relations with Indonesia in order to encourage ASEAN's development as a supranational entity, in the footsteps of the EU itself.<sup>20</sup> This strategy was in keeping with the EU's general regional approach throughout the 1990s, in which it chose, as a regional organization, to develop relations with existing or "created" regions such as MERCOSUR in South America, the ACP countries in Africa and the Caribbean, and the "Mediterranean" through the Barcelona Process. However, ASEAN did not develop into an Asian union, and the EU was left with no bilateral diplomatic ties to ASEAN states, including Indonesia. By 1994, as the Asian "tiger" economies blossomed, the European Commission became alarmed at its lack of engagement. Fearful of losing market share to the US and Japan, it called for the EU to move "Towards a New Asian Strategy" to engage these growing economies and benefit economically (European Commission 1994).

The EU, however, moved slowly to establish a relationship with Indonesia. In 1996 it created the Asia Europe Meeting (ASEM) as a



second forum alongside ASEAN for regional, but not bilateral, dialogue – continuing its commitment to a region-to-region approach. Thus, by the crucial transition year of 1998, no move towards further bilateral relations had taken place, while regional relations remained weak. A Commission document intimates that action was slowed due to wariness over the disputed sovereignty of East Timor – which, if true, could be seen as a very mild form of “negative incentive” (European Commission 2000). However, it could as easily have moved slowly due to the regional economic failure in 1997 that ended the EU’s main reason for engaging the former Asian tigers. Regardless, the only concrete action the EU took during Indonesia’s democratic transition was sending a single mission of 136 long- and short-term observers to monitor the 1999 Parliamentary elections (*ibid.*). By 2000, when the Commission began a conversation with the European Parliament and Council regarding closer bilateral relations with Indonesia, the democratic transition had already taken place (European Commission 2000; European Parliament 2000; European Council 2000).

Lacking diplomatic relations, the EU could have used its trade relationship to incentivize Indonesia’s transition to democracy. As the Commission wrote in 2000, “Indonesia does not perceive the European Union as such as a major partner and it receives only limited attention compared with the United States or Japan. The EU is viewed primarily as a trading bloc and there is little awareness of its supranational nature” (European Commission 2000: Section 5.3.1). That economic bloc, however, could have had significant leverage – particularly after the economic crisis of 1997, when resuming growth skyrocketed to the top of Indonesia’s policy agenda.<sup>21</sup> The EU and its member states had been Indonesia’s largest source of foreign direct investment since 1967, and formed its second largest trading partner after Japan (European Commission 2000). In 1998 as race riots sparked by inflation and economic implosion engulfed the country, Indonesia was the largest beneficiary of the EU’s General System of Preferences (European Parliament 2000). However, this economic muscle was not translated into diplomatic might. The EU did not apply sanctions or offer trade incentives to help steer the bloody transition towards a democratic outcome. Instead, the relationship was placed on autopilot. In 1998, Indonesia was excluded from the General System of Preferences for major trade goods simply because its (formerly) growing economy had pushed itself beyond the automatic cut-off for this program. No strategic thought or action was taken by the EU (European Parliament 2000).

Development aid could have been used to build capacity in state or non-state institutions to encourage democracy. Yet from 1977 to 2002, its development aid consisted of just €300 million spread over 25 years and devoted largely to agriculture and forestry (European Commission 'Indonesian Country Strategy Paper' 2002–2006). A trust fund was established through ASEM to alleviate the worst poverty caused by the financial crisis, but no aid was provided to develop the governance capacity of the Indonesian state or to non-state actors to improve democracy or human rights.

The EU began to consider the need for a strategy towards Indonesia in 2000. With the publication of "Developing Closer Relations between Indonesia and the European Union," the European Commission finally began to craft a plan (in conversation with the Parliament and Council) to engage the world's fourth largest country. The policy declared that "Anchoring democracy, the rule of law, and good governance" was a prime goal of the EU's engagement, alongside interest in improving human rights, stabilizing the region, and developing the economy (European Commission 2000: 1). The Parliament particularly stressed human rights concerns, especially towards East Timor and Irian Jaya, but agreed with the Commission and Council that engagement was the best means towards these objectives (European Commission 2000; European Parliament 2000). From 2000 onward, the EU would attempt a series of direct and indirect efforts to improve democracy, particularly the rule of law, in Indonesia.

As it does in most countries, the EU also attempted to use persuasion to further democracy in Indonesia. Its particular focus was human rights abuse, especially in East Timor. The European Council, Commission, and Parliament all spoke with one voice through regular communiqués and statements regarding the importance of Indonesia improving its human rights (European Council 2001, 2003). Parliament was particularly outspoken in criticizing human rights abuse in East Timor, and in calling for international tribunals for the generals involved.

However, while the EU felt that it was exercising strong rhetorical pressure, a source interviewed in the Ministry of Foreign Affairs felt that the EU was easily placated in its human rights concerns: he felt far more pressure from Indonesian human rights advocates.<sup>22</sup> The EU's general lack of "visibility" – a fact much lamented within the EU – severely hampered its ability to use persuasion as a pathway of influence (European Commission 2000).

Moreover, when persuasion was attempted, much was lost in translation. For instance, the EU has been pressing the government to improve

human rights in “migration,” in an attempt to ensure that hundreds of thousands of Indonesian guest-workers did not face human trafficking and were treated humanely when they left the country to work elsewhere in Asia. But Indonesians thought that the EU was discussing Indonesians working in Europe, and since that was such a small population, they believed it was simply a “left-over” paragraph routinely dropped into their papers by rote rather than a real issue!<sup>23</sup>

In other cases, EU persuasion was undermined by more important sources of countervailing pressure. For instance, the EU had pressed Indonesia for years to end the death penalty (European Council 2001). But not only does public opinion in Indonesia support the death penalty, the country is also under regional pressure to *increase* its use for drug related crimes, as Indonesia is the “weak underbelly” of a region in which other countries punish drug crimes with death.<sup>24</sup>

Finally, attempts at persuasion that *were* understood tended to falter on the shoals of Indonesia’s strong anti-colonialist sentiment. While not an EU-sponsored reform, it is worth noting the case of the Inter-Governmental Group on Indonesia (IGGI), a mechanism formed in 1967 to coordinate donor assistance and originally led by the Dutch. In 1992, the Dutch development officer used particularly strong language to criticize the Suharto regime’s human rights record. With the economy booming and great disdain for its former colonizer’s arrogance, President Suharto simply called their bluff, saying that Indonesia would no longer accept aid from the IGGI so long as the Netherlands chaired the organization (Library of Congress 2007). The international community didn’t wish to cut themselves out of the fast growing country. Instead, they regrouped as the Consultative Group on Indonesia (CGI), with the Netherlands no longer a member. Meanwhile, even the Netherlands wanted to provide aid, and was reduced to doing so through various international institutions such as the IMF.<sup>25</sup> So much for the powers of persuasion.

When direct persuasion was strong, exercised in conjunction with other countries, and coupled with incentives, it had an effect – but the overall outcome was not what the EU desired. After the East Timor massacres, the EU was one of a chorus of international voices demanding that the generals involved be brought to justice. In this instance, it combined persuasion with an incentive-based strategy: the EU issued an arms embargo in September 1999 in response to the violence in East Timor. Such pressure worked to a point – Indonesia did erect a tribunal to try the judges. But none were convicted, a decision that was condemned internationally and decried by the EU, but popular in Indonesia. As described earlier, many Indonesians came to see human

rights as having colonial overtones, and at least one government minister felt that human rights issues were simply a power play, since the EU had no such major human rights qualms when negotiating with China over far larger trade agreements.<sup>26</sup>

Meanwhile, the EU undermined its own incentive-based strategy: after just four months, the arms embargo was dropped. The timing was not in conjunction with any progress, in fact, the perpetrators of the massacres in East Timor remained at large, and President Wahid was in the midst of quelling rumors of a military coup (BBC News 2000). The EU then became the first military supplier to undermine America's human rights related arms embargo.

Another pathway of influence used by the EU was direct capacity-building to state institutions. Beginning in 2000, immediately after engaging Indonesia, the EU directed a million euros in ad-hoc funds towards the Attorney General's office to improve the rule of law. Yet the EU's aid process is so slow and complex that between 2000 and 2005 no strategically programmed funding had been disbursed. The EU's official aid process begins with five-year plans that must be started three years earlier, a process directed by Brussels, in the case of Indonesia. In 2005, the EU had just drafted its strategy for 2007–2013, an eight-year timeline ill-suited to rapid reaction in a democratizing country. A Rapid Reaction Mechanism exists to disburse funds quickly for immediate needs; but even this process can take up to a year – and while some local delegations control the mechanism, in Indonesia, control is again held in Brussels.

In 2002, however, the first planning process was complete. The EU made good governance and natural resources management the two pillars of its €216 million direct capacity-building program from 2002 to 2006, with just under €30 million dedicated to good governance (European Commission 'Indonesia Country Strategy Paper' 2002–2006). Governance aid was directed entirely towards improving the rule of law, including €10 million dedicated to aiding the Supreme Court in reforming the court system according to a set of reform blueprints, and a program that built on the €1 million already distributed to the Attorney General's office in ad-hoc funds. €5 million were allocated towards decentralization, but were reoriented to support the 2004 elections.

However, the funds were never distributed. The EU required matching funds to demonstrate local project ownership, and in Indonesia, BAPPENAS (the National Development Planning Agency) had to allocate these funds. It never did. While the EU program officers believed the problem was a "communication gap," and a bureaucratic mistake, not a political decision, EU letters asking for assistance and clarification went unanswered.<sup>27</sup>

While the Attorney General's office had not been particularly interested in the promised reform program, the Supreme Court desperately desired the EU's help. The reformist Chief Justice, wishing to reform the court system before his tenure ended, promised to allocate a quarter of its own budget towards the reforms. Yet EU rules required it to work directly with the State budget of the Government of Indonesia, not the independent Supreme Court budget. Such a budgetary structure actually diminished Indonesia's recent gains in the rule of law by forcing the judiciary to be subject to the Executive for outside funds. In the end, no funds were allocated by BAPPENAS, and all the projects were suspended.<sup>28</sup>

The European Parliament favored a different strategy: direct capacity-building assistance to non-state actors. The European Initiative for Democracy and Human Rights (EIDHR) was originally created by the Parliament in 1994 to spur civil society reform in Eastern Europe. Indonesia was chosen as one of 20 external countries outside the EU's enlargement process to receive EIDHR funds, beginning in 2000. Over the next six years, EIDHR provided €5 million to Indonesian NGOs (European Commission National Indicative Program 2005–2006).

However, again, EU aid procedures hampered the effectiveness of even the small amount of funding they did disperse. The EU divides its direct aid to NGOs into macro-grants over \$100,000, and smaller micro-grants. Macro-grants are disbursed from Brussels following worldwide criteria, with no input from the local Delegation and little guidance to local NGOs. Complex requirements mean that the only NGOs able to garner these larger grants are major international organizations partnered with locals, while a slow grant process and worldwide criteria disables NGOs from exploiting the local windows of opportunity that they are best suited to recognize.

Micro-grants under \$100,000 are disbursed at the Delegation level by a local grant officer, and could provide far more rapid, sensitive, astute funding to quality local NGOs. Yet in Indonesia, the Delegation staff member in charge of these grants felt that it was improper to talk with the NGOs that applied, learn about the political situations NGOs were trying to affect, put NGOs in touch with each other, or help NGOs whose programs appeared promising prepare their grant proposals – normal activities for most foundations.<sup>29</sup>

\* \* \*

Even more important than faulty funding mechanisms, however was the EU's lack of understanding of this strategy of change. For the EU,

providing capacity-building funds to NGOs was a goodwill gesture; not a thoughtful strategy. At no stage – in Brussels, at the Commission's Delegation level, or in the mind of the local program officer, did the EU draw a distinction between NGOs that provided services to the poor or disenfranchised, and advocacy NGOs that could encourage democracy. No strategy was in place to choose NGOs in ways that would affect the political process. Thus, spending the same amount as the US had earlier yielded no political change whatsoever. The same path of influence, deployed in a non-strategic manner, proved pointless.

Indonesia was lucky in having a flourishing civil society that was instrumental in working towards human rights and democracy – NGOs that had begun by Indonesians with Indonesian seed money, but had long depended on foreign funders and were used to working with them. The EU did not fund any of these organizations. Instead, with no strategy directing its direct capacity-building of non-state actors, the EU assisted NGOs on far-flung islands undertaking worthwhile grassroots activities, but which were either providing social services, or were so far-flung that no political change was possible. As important as the funding and the path of influence was the strategic understanding of the method of change being employed. Lacking a strategy, the EU's use of direct support to non-state actors proved fruitless.

Ironically, the EU's one strategy that could have had an influence on Indonesia's democratic consolidation occurred when it was acting with no strategic thought, but had unwittingly funded another organization that had devoted a great deal of strategic thinking to creating political change in Indonesia. In 2000, in a fit of goodwill, the EU provided €13.3 million to the Partnership for Governance Reform, a new NGO launching under the umbrella of the United Nations and other international institutions. Lacking any mechanism to provide significant funding directly to a local NGO, the EU used an indirect strategy with which it was more comfortable: providing funds to the UN, which in turn passed them to the Partnership. As the European Delegation's political officer explained:

There was a mood of generosity, and we wanted to make a strong gesture in support of reform in Indonesia, because of the times and the effort the Indonesians had arranged. We wanted to provide seed money, so the EC could say we helped to set up the Partnership – but the aim had never been to support them indefinitely, it was really a grand gesture to get them started.<sup>30</sup>

The EU's lack of thought was offset by significant strategic foresight on behalf of the Indonesian Executive Director of the Partnership, who recognized that outside actors alone could not bring about governance reform in Indonesia. The Partnership's slogan, "pressure from without, capacity from within," summed up its strategy: use the international organizations on its governing board to keep a spotlight on the government and press for reform, while the Partnership staff and implementation partners used their personal relationships, persuasive powers, and capacity-building to create the structures needed to make reform occur.

The Partnership is unique among NGOs in its level of clout. In a country where, even more than most, power is determined by personal relationships, the Partnership has built an astoundingly powerful network. It is structured with three decision-making bodies: a Governing Board drawing two-thirds of its membership from Indonesians at the highest levels of business, government, parliament, and civil society, and a remaining third from multilateral and bilateral donors; an Executive Board composed of the Indonesians on the governing board; and a Policy Committee composed of representatives from the UN, Asian Development Bank, World Bank, two major government agencies, and the Executive Director. As the European Commission Delegation's political officer explained:

The Partnership isn't just a civil service organization – it's a different animal, because it can pick up the phone and talk to really important people, the movers and shakers here – the strength of the Partnership is that it can pull in these big players... They have privileged access on an informal basis to the leading actors in Indonesian society – across all sectors, politics, media, activists, religious leaders – and that gives them tremendous ability to get things done.

The Partnership relies on its personal relationships to the elite to organize and implement reforms. The current President of Indonesia was previously on the Partnership's Governing Board, as was the Minister of Justice, providing unprecedented access. For instance in 2003, Bagir Manan, the new Minister of Justice, asked the Partnership for support in hiring outsider "ad-hoc" judges to the Supreme Court: a strategy conceived by Indonesian civil society to reduce court corruption by having outside lawyers serve as temporary judges.

The Partnership also has a unique ability to reach the grassroots. As a Sikh, the Executive Director H. S. Dillon is one of the few Indonesians

who did not have to affiliate with one of the two rival Muslim organizations, NU and Muhammadiyah, that are the biggest and most salient grassroots social organizations across the archipelago.<sup>31</sup> Dillon was able to bring both of them together in a religiously focused, grassroots anti-corruption campaign. Unlike the vast majority of rule of law activities worldwide, which are by necessity an elite enterprise, this cultural-change level campaign is meant to affect Indonesians' janus-faced cultural attitudes towards corruption, in which many Indonesians decry corruption at the government level, even while they celebrate when a family-member or friend finds a "wet" job – one that provides opportunities for bribery.<sup>32</sup> Affecting these cultural feelings is likely the only lasting way to affect the endemic corruption that plagues Indonesia.

In 2004, the Partnership's ability to enact change politically and institutionally reached a new high when elections brought Susilo Bambang Yudhoyono (known as SBY), a former board member of the Partnership, to power as the President of Indonesia. SBY asked the Partnership for assistance in a number of governance reforms, and when it provided him with a reform blueprint for his first 100 days in office, he enacted a number of their suggestions.<sup>33</sup>

The EU seemed to have placed a bet on the right horse. Its indirect strategy to finance a local non-state actor with significant resources (though the funding was provided through an international organization, given the European Commission's cumbersome policies and cultural discomfort with regards to funding NGOs) was achieving political, institutional, and cultural change towards democracy, with a level of depth that no outsider such as the EU could hope to attain on its own. The Partnership offered a unique opportunity for reform, and the EU had seized it. The Partnership met the EU's new push for projects that addressed sectors such as governance holistically, rather than through pinpoint projects. And since the EU demanded recognition for the projects it funded, it also served the EU's desire for local "visibility" (European Commission 1994, 2000).

However, the EU had not included the Partnership in its strategy for promoting democracy in Indonesia. Uncomfortable with indirect strategies that worked with local non-state actors, as opposed to multinational bodies – particularly as the Partnership came into its own as a local organization and not simply a project of the UN and International Financial Institutions (as it may have appeared in its origins) – the EU decided to end its funding just as the Partnership had its greatest chance



for success. It would reorient funding towards “another” indirect actor, the International Organization on Migration (which for reasons of path dependence rather than competence had taken an unprecedented role in governance and police reform projects in Indonesia). As the biggest funding source for the Partnership following the Dutch, the EU’s decision would significantly curtail the Partnership’s ability to achieve the goals it has worked for and for which it has carefully positioned itself during the previous five years.<sup>34</sup>

## Conclusion

At the end of the Cold War, the US reconsidered its relationship with its former anti-Communist ally. It employed multiple strategies, pouring funds into direct and indirect capacity-building for non-state civil society organizations lobbying for democratic change, while Congress pursued an aggressive strategy of direct incentives and persuasion to move Indonesia in a democratic direction, while funding capacity-building. The EU, meanwhile, had no direct relationship with Indonesia, and was unable to exert any influence on its democratic transition. In the consolidation phase, the US and EU both followed a similar multi-pronged approach, undertaking capacity-building to civil society and to state agencies, while simultaneously using direct persuasion and negative incentives to force the government to improve human rights.

The EU and US both used direct strategies of incentives and persuasion to try to convince Indonesia to uphold human during its democratic consolidation. The US strategies were stronger (a 12-year military embargo vs. a three-month arms embargo, for instance), and the US Congress (but not the Executive or Department of Defense) was slightly more willing to use negative incentives and persuasion than the more engagement-oriented EU. However, while incentives and persuasion are often cited by politicians as the most obvious, robust methods outside actors have to promote democracy, Indonesia shows the limits of these strategies. Reforms that emerged from international pressure, particularly negative incentives or “naming and shaming,” tended to backfire. As IMF official Sebastian Pompe explained, “There’s an Indonesian saying that explains the dynamic – basically, internationals shoot proposals into a dark, murky substance, they twist and turn, and come out entirely differently.”<sup>35</sup> The EU’s direct action came to naught, with no funds dispersed, and its attempts at diplomatic persuasion fell into cultural incomprehension. America’s stronger use of

incentives, and its more confused attempts at persuasion, also failed to attain most goals.

The most effective strategy practiced during both the transition and consolidation phases of democratization was direct and indirect support of local non-state actors, who were able to navigate their own complex cultural currents and exploit windows of opportunity and personal relationships to create change. While both the US and EU used this strategy, and devoted similar amounts of money towards it, it was far more effective in US hands solely because the US better understood this logic of influence and were more strategic in their choice of NGOs and direction of funds. Even more effective than direct support was indirect support that allowed the US and EU to support these NGOs at one remove, giving them more local legitimacy and more buffering from the whims of foreign donors, though often speaking with more than one voice.

These findings may not hold for other countries; Indonesia's levels of strength, pride, and colonial sensitivity may be unique. However, the ability to assist the world's largest Muslim country in its journey towards democracy is important in and of itself. Indonesia is a success story, one in which the US, in particular, can take pride and take heed.

## Notes

1. The military's *dwifungsi* mandate ended in 1999, and the phase out of reserved parliamentary positions for military service-members was completed by the 2004 elections. Active members of the military cannot occupy positions in the legislature or civilian bureaucracy. However, the military retains a grip on the economy via its foundations and businesses. A law passed in September 2004 requires the government to assume control of military businesses by 2009.
2. Scholars disagree on the extent of Indonesia's democratic transition. Some argue that reform was sidelined by elites (V. R. Hadiz 2003) or that it remains unconsolidated (Webber 2006). I see the process as a continuum along which Indonesia has made great strides, while acknowledging significant room for reform, particularly in the rule of law.
3. Author's interview with Agung Laksono, Speaker of the House, Jakarta, July 7, 2005.
4. The murders remain disputed. Indonesia claims a separatist mistakenly killed the Americans. A US grand jury indicted an Indonesian connected with the military in 2004 for the murders, but Indonesia refused to extradite or indict any perpetrators and delayed the entrance of an FBI investigative team (P. Gelling 2007).
5. Author's interview with Agus Loekman, Asia Foundation, Jakarta, July 2005.

6. Author's interview with Laksamana Sukardi, former Minister of State Owned Enterprise, Jakarta, July 2005.
7. Author's interviews with Bivinty, Executive Director of PSHK, July 15, 2005; Ibrahim Assegaf, Executive Director of Hukom Online, July 15, 2005; Zacky Husein, former Rule of Law Program Officer with the Asia Foundation, Jakarta, July 2005.
8. Author's interviews with Bivinty and with Sebastian Pompe., IMF Resident Legal Adviser, Jakarta, July 2005.
9. Bivinty interview.
10. Husein interview.
11. Manan's reputation has been sullied by claims of corruption within his bureaucracy. Many in civil society regard the problem as poor management rather than questioning Manan's honesty.
12. The 1999 book and the blueprints were also assisted by the mentorship and intellect of Sebastiaan Pompe, the IMF Resident Legal Adviser in Indonesia, acting in his personal, non-IMF capacity, and drawing on his 1996 dissertation on the supreme court.
13. Bivinty interview.
14. In the 1950s, the Asia Foundation, started by the US Congress, had been accused of being a CIA front. However, over the decades it was generally accepted and began to be seen as a local organization. Authors' interviews with Husein and Agus Loekman, Asia Foundation Program, Jakarta, 11 July 2005.
15. Husein interview.
16. Author's interview with Gartini Isa, USAID Officer, Democracy and Governance, Jakarta, July 5, 2005.
17. Isa interview.
18. Author's interviews with Cliff Keeling, ICITAP instructor, Jakarta, July 5, 2005; Santiago, ICITAP Program Developer, Jakarta, July 5, 2005; and Herbin Marular, ICITAP Program Developer, Jakarta, July 5, 2005.
19. Marular interview.
20. Author's interview with Ronan Mac Aongusa, First Secretary at European Commission Delegation, Jakarta, July 2005.
21. Author's interview with, Akbar Tadjung, former Speaker of the House Jakarta, July 1995.
22. Author's interview with Elmar Lubis, Ministry of Foreign Affairs, Department of EU Relations, Jakarta, July 28, 2005.
23. Author's interview with Ketut Yuli Kartika Inggas, European Commission Delegation to Indonesia, Program Officer, Jakarta, July 2005, and Lubis.
24. Lubis interview.
25. Pompe interview.
26. Author's interviews with Sukardi, Loekman, Tadjung, and Tudang Mulya Lubis, a founder of the Indonesian Legal Aid Society, July 12, 2005.
27. MacAongusa Interview.
28. Author's interview with Novianty Manurung, EU Governance Officer, Jakarta, July 15, 2005.
29. Inggas interview.
30. MacAongusa interview.
31. Author's interview with Marcellus Rantatena, Partnership for Governance Reform, Jakarta, July 5, 2005.

32. Author's interview with Professor Gumilar, Dean of Social Science and Political Faculty at University of Indonesia, Jakarta, July 6, 2005.
33. Novianty interview.
34. Rantatena interview, MacAongusa interview.
35. Pompe interview.

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### Authors interviews

(All interviews took place in Jakarta, Indonesia, July 2005. Because some Indonesians use only one name, at times only one name is provided.)

Ibrahim Assegaf, Executive Director of Hukom Online.

Bivinty, Executive Director of PSHK.

Professor Gumilar, Dean of Social Science and Political Faculty at University of Indonesia.

Zacky Husein, former Rule of Law Program Officer with the Asia Foundation.

Ketut Yuli Kartika Inggas, European Commission Delegation to Indonesia, Program Officer in charge of EIDHR grant program.

Gartini Isa, USAID Officer, Democracy and Governance.

Cliff Keeling, ICITAP instructor, Jakarta.

Agung Laksono, Speaker of the House.

Agus Loekman, local Asia Foundation program officer.

Elmar Lubis, Ministry of Foreign Affairs, Department of EU Relations.

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Santiago, ICITAP Program Developer.

Laksamana Sukardi, former Minister of State Owned Enterprise, in charge of privatization.

Akbar Tadjung, former Speaker of the House.

General Wiranto, former Defense Minister of Indonesia.

# 9

## Conclusions: Towards Transatlantic Democracy Promotion?

*Thomas Risse*

With the end of the Cold War at the latest, democracy promotion has become a major foreign policy tool of international organizations as well as Western statecraft.<sup>1</sup> As the introductory chapter of this volume points out, there are several reasons for this development. First, major powers have always tried to spread their own political, economic and social orders around the globe and to externalize their values. The US and Europe are no exceptions. With the systemic competition between Communism and liberal democracy over, democracy promotion has become even more significant in their respective foreign policies.

Second, value promotion and more traditional foreign policy goals converge. The finding that democracies do not fight each other (the 'democratic peace'; Russett and Oneal 2001), has become consensual knowledge among scholars and policymakers alike. Value and security concerns converge at this point. For example, if the European Union (EU) tries to promote democracy in its neighbourhood, it does so for both liberal and security reasons (see Chapter 2, this volume, Börzel and Risse). While policymakers often overlook that transition countries are prone to more rather than less violent conflict (Mansfield and Snyder 2005), this does not alter the fact that democracy promotion is ultimately good for security and stability, too.

Third, as Girod, Krasner and Stoner-Weiss argue in Chapter 3, this volume, there is also growing evidence that democracy, good governance and development are inextricably linked. Democracy and human rights require the rule of law and, thus, good governance as well as stable institutional settings. There appears to be increasing evidence that democracy and the rule of law are good for economic growth, too. While the causal arrows between democracy, good governance and development remain unclear, scholars acknowledge at least that the three are closely

related. Once again, this insight has trickled down to the policy communities on either side of the Atlantic. As the Millennium Challenge Account and similar European efforts at linking development aid to good governance performance indicate, democracy promotion has increasingly become part of the foreign aid toolkit (see also Chapter 6, this volume, by Börzel, Pamuk and Stahn).

Whether for value, security or development reasons, the US and Europe spend millions of dollars and euros per year on democracy promotion. After roughly twenty years of these efforts, it is time for some stock-taking. This volume represents such an attempt by investigating the democracy promotion policies of two of the most important players, the US and the EU. To be sure, we are not concerned here with the effects of external democracy promotion on the ground. Such an investigation in the conditions under which external efforts at assisting democratizing countries actually lead to the desired results and contribute to liberalization as well as democratic consolidation is beyond the scope of this book and is the subject of an emerging field of study (see, for example, Magen and Morlino 2008 on the EU; Finkel et al. 2007 on the US).<sup>2</sup>

This volume has in some respects a more preliminary task, namely to gain a better understanding of what Americans and Europeans actually do in the field of democracy promotion. The various chapters compare the goals, strategies, policies and instruments of the EU and the US in democracy assistance. The authors look both at the general picture (see Chapter 3, by Girod, Krasner and Stoner-Weiss; Chapter 2, by Börzel and Risse) and at EU and US policies towards individual countries or regions in the world (see Chapter 4, by Youngs and Wittes; Chapter 5, van Hüllen and Stahn; Chapter 6, by Börzel, Pamuk and Stahn; Chapter 7, by Gratius and Legler; Chapter 8, by Kleinfeld). Our bottom line can be summarized as follows: With the possible exception of EU and US policies towards Latin America (see Chapter 7, by Gratius and Legler), European and American efforts at democracy promotion are more similar than the conventional wisdom holds which emphasizes a stark and contrasting picture focusing on the 'Venus vs. Mars' metaphor (Kagan 2003). Not only is there a transatlantic consensus on the ultimate goals, but Americans and Europeans resemble each other to a great degree in their assumptions about democratization, their policy planning, tactics and instruments. The US and the EU also share an emphasis on all four logics of influence which have been pointed out in the introduction to this volume. Last but not least, America and Europe are similar in terms of their blind spots, inherent contradictions, and double standards (see particularly Chapter 4, by Youngs and Wittes).



This chapter tries to summarize the findings from the individual chapters. I proceed in the following steps. I begin with a discussion of what efforts at democracy promotion tell us about the foreign policy identities of the US and the EU. Does the ‘Mars vs. Venus’ metaphor make any sense at all? I then provide a more fine-tuned picture and compare America and Europe with regard to the logics and pathways of influence outlined in the introduction to this volume. I also argue that the US and the EU are faced with similar trade-offs and contradictions when trying to promote democracy. I conclude with policy issues and challenges as we reach the end of the first decade of the twenty-first century.

### **‘Mars vs. Venus’ revisited: why both the US and the EU are normative powers**

Two scholarly debates are relevant for our volume. The first concerns the EU’s actorness, while the second controversy focuses on the difference between US and EU foreign policies. As to the first item, we need to clarify whether we can actually compare the US and the EU at all, given that the US is a state, while the EU is not. Treating the EU as just another international organization (IO) would imply, for example, that we compare apples and oranges when we deal with its foreign policy in contrast to the US. In other words, what about the EU’s actorness in foreign policy?

For decades, debates about European foreign policy more or less focused on whether there was such a thing as a ‘European foreign policy’, i.e. the emphasis was on the EU’s actorness in foreign policy matters. Christopher Hill’s famous argument about the ‘capability-expectations gap’ concerned such actorness (Hill 1993). Today, this debate is largely over. Even in foreign and security policy, few people would deny that the EU has the full institutional capacity of a foreign policy actor. However, if the EU can be treated as a ‘normal’ actor in matters of the European Security and Defence Policy (ESDP), this should be all the more true with regard to democracy promotion. Democracy promotion as a whole constitutes a ‘cross-pillar’ issue, that is, a question for which both supranational institutions such as the Commission and intergovernmental ones such as the Council of Ministers hold responsibility and where the decision rules vary from Qualified Majority Voting (QMV) to unanimity in the Council. Yet, most policy instruments for democracy promotion discussed in the various chapters belong to the first – supranational – pillar’s portfolio for which the European Commission is

in charge (Chapter 2, by Börzel and Risse). As a result, we can still debate the extent to which the EU's democracy promotion policies are coherent (as we can debate, with equal validity, with regard to the US). But there is little doubt that the EU is an actor in its own right in democracy promotion as a result of which we are on safe ground to compare its activities with those of the US.

Two significant differences between the US and the EU as foreign policy actors remain, though, which is also relevant for democracy promotion. First, the US is a state, even though it can rarely be treated as a unitary actor given bureaucratic infighting and oftentimes lack of coordination between its various agencies as well as between the federal government and Congress which several chapters of this book document. The EU is not a state, but a multi-level governance system (Hooghe and Marks 2001). While this book concentrates on the EU and its particular democracy promotion policies, we must not overlook that the member states pursue their own foreign policies which may or may not replicate, and occasionally even contradict, those of the Union. Moreover, in some cases, particular member states have strong preferences with regard to specific regions of the world, for example, Spain and France with regard to Latin America (Chapter 7 by Gratius and Legler), Southern European countries concerning the Mediterranean (Chapter 4 by Youngs and Wittes), or the Netherlands with regard to its former colony, Indonesia (Chapter 8 by Kleinfeld).

The second difference also follows from the EU's multi-level governance character. The EU's competences in external affairs including democracy promotion are more fragmented and, therefore, formally institutionalized than is the case in the US where the federal government is exclusively in charge of foreign policy. In contrast, the EU and its member states both have foreign policy competences and, thus, have to demarcate clearly what EU institutions such as the European Commission may or may not do as compared to the member states. As a result of this peculiar institutional structure, the EU applies its instruments in a less flexible and more rigid way than the US. The EU also adapts rather slowly and more incrementally to changed circumstances in its external affairs, as several chapters in this book document (see Chapter 5 by van Hüllen and Stahn; Chapter 6 by Börzel, Pamuk and Stahn; Chapter 8 by Kleinfeld).

The other controversy mentioned above centres around the question of what type of foreign policy actor the EU has become, particularly compared to the US. This is where the 'Venus vs. Mars' metaphor becomes relevant. In his now famous treatment of the foreign policy differences

between the US and the EU, Robert Kagan argued that the US predominantly plays the role of a world policeman thereby emphasizing military power (Kagan 2003). In contrast, the EU mostly uses 'soft power' instruments in promoting its goals externally (on 'soft power' in general see Nye 2004). It does so because of weakness, since its military capabilities are negligible as compared to the US. Hence the 'Venus vs. Mars' distinction! In a similar way, European scholars have characterized the EU's foreign policy as that of a 'normative power' (Manners 2002; Scheipers and Sicurelli 2007), of a 'postmodern state' (Cooper 2000), or of a 'civilian power' (Duchêne 1972; Maull 2002). In contrast, US foreign policy is often characterized as that of a more traditional military power which relies more heavily on its 'hard power' capabilities to further its goals. The caricature version of this difference with regard to democracy promotion holds that Washington invades other countries to foster regime change, while the EU communicates and tries to persuade.

The chapters in this volume demonstrate that both popular and more scholarly versions of this caricature are largely misconceived. Of course, the US is a military power second to none in the contemporary international system. Neither the EU nor its member states are anywhere close to be regarded as a serious match for American military might. But even in 'hard power' terms, military resources are only part of the equation. With regard to economic weight, the EU and the US are equals. Moreover, one should not forget that the 'soft power' EU itself is often deeply divided when it comes to using military force. A substantial portion of EU member states including Great Britain, Poland, Spain and Italy at the time supported the US-led invasion of Iraq to introduce regime change by force. As to Afghanistan, there was a transatlantic consensus and a UN mandate to kick the Taliban regime out following the terrorist attacks on September 11, 2001. Last but not least, to portray the US as a trigger happy state that routinely employs military power to spread capitalist democracy around the globe is a distortion even if we were to confine our analysis of America to George W. Bush's first term in office. In hindsight, one could even argue that the disastrous Iraq case represents an exception to the rule in US foreign policy rather than symbolizing a major difference in American and European approaches to democracy promotion (for a broader analysis of the recent transatlantic crisis see Anderson et al. 2008). As the chapters in this volume demonstrate with regard to the Mediterranean, the Middle East, Latin America, the Southern Caucasus and other parts of the world, the US default strategy to promote democracy is as non-coercive and as non-military as the EU's approach.<sup>3</sup>

Ironically perhaps, the one region in the world in which the distinction between the US preference for confrontational policies and the EU's inclination toward more cooperative approaches appears to hold is not in Europe's neighbourhood in North Africa and the Middle East (except for Syria, maybe), but the US's own backyard – Latin America (see Chapter 7 by Gratus and Legler). Cuba and – more recently – Venezuela represent two countries where the US and the EU pursue substantially varying approaches to democracy promotion. I discuss these cases below. When it comes to the EU's own neighbourhood – be it the Middle East or be it the Newly Independent States (NIS) and the Southern Caucasus, the US and the EU follow fundamentally similar approaches, as Chapter 4 by Youngs and Wittes, Chapter 5 by van Hüllen and Stahn, and Chapter 6 by Börzel, Pamuk and Stahn document.

In particular, the EU and the US are more similar than different with regard to translating power capabilities into actual foreign policies. The chapters in this book show time and again that both are in fact 'normative powers' in the sense that they try to develop a particular foreign policy identity and, at the same time, to translate this identity into actual policies (see also Diez 2005; Sjørnsen 2006; Scheipers and Sicurelli 2007). The US and the EU constitute normative powers in that they both try to project a particular identity in their foreign relations and to externalize their internal – liberal democratic – values in their foreign affairs. In that sense, democracy promotion constitutes part and parcel of the foreign policy identity of America and Europe as liberal polities. As Magen and McFaul show in Chapter 1, for example, the goals expressed in the 2002 and 2006 US 'National Security Strategy' statements – policy positions which have sparked so much controversy concerning its concepts of preventive action – and in the 2003 EU 'European Security Strategy' are remarkably similar (President of the United States 2002; European Council 2003). As the ESS put it, '(t)he best protection for our security is a world of well governed democratic states' (European Council 2003: 10).

Democracy promotion rank very highly in both strategies. And they are both linked to the particularly identities which the US and the EU try to project in their external affairs. In the US, it is the civil religion of the 'shining city on the hill' and 'beacon of hope' that is most often referred to with regard to democracy promotion. In the European case, the EU is portrayed as a security community (Adler and Barnett 1998) of human rights, democracy and market economy that has thoroughly overcome its own past of wars and nationalism. Democracy promotion is then introduced as an effort to project these values in the EU's

external affairs. In the French parlance, this constitutes the European 'mission civilisatrice'. Thus, the self-description of both the EU and the US is that of normative powers.

There is only one important difference between the US and the EU as self-proclaimed democracy promoters and normative powers: The EU is more active than the US in encouraging regional integration efforts as a tool for anchoring and consolidating democracy and good governance as well as stabilizing peace and security (for a general argument why regional integration strengthens democracy see Pevehouse 2005). Of course, this is easily understandable given the success story of European integration which the EU tries to externalize and to promote in other regions of the world. As a result, the EU uses multilateralism in its democracy promotion toolbox in a slightly more active way than the US (see Chapter 4 by Youngs and Wittes with regard to the Middle East).

The similarities do not stop at the level of overall goals and strategies of democracy promotion. As I argue below, the policies employed by the EU and the US to further their goals of democracy promotion are also remarkably comparable. Both have the entire spectrum of instruments mentioned in the introductory chapter at their disposal, ranging from coercive means that are only used extremely rarely, to incentive-based instruments (both negative and positive), persuasion which includes 'naming and shaming' in cases of human rights violations, and – finally – capacity-building. As far as the EU is concerned, it only recently acquired the means to actually use coercive capacities in the framework of the ESDP (see Chapter 2 by Börzel and Risse). However, in most cases, neither the EU nor the US uses coercion to force countries to adopt democratic practices. One could even argue that the democracy promotion policies of the EU *and* the US resemble those of 'civilian powers' in the sense that non-military means and cooperative practices are far more prominent than the use of force and sanctions (on the concept of 'civilian power' see Kirste and Maull 1996; Harnisch and Maull 2001). As van Hüllen and Stahn point out in Chapter 5, the use of the various instruments of democracy promotion does not so reflect the characteristics of the promoting agents (the US vs. the EU), but depends more on the geostrategic context and the political circumstances of the target countries. As Chapter 8 by Kleinfeld on Indonesia shows, one of the two (the EU in this particular case) might not have much of a democracy promotion strategy in place at all at any given time and in any given country, and has to develop one in response to rapidly changing circumstances – usually in response to a breakdown of an authoritarian regime or flash transition to electoral democracy.

If there is a difference in the respective toolboxes at all, it appears not so much to relate to the logics of influence (see Chapter 1 by Magen and McFaul) which dominate the comparative literature on EU and US foreign policies, but to the pathways and target actors addressed by American and European democracy assistance programs. While both the US and the EU target most financial resources toward state actors, the US appears to follow a comparatively more ‘grassroots’ or ‘bottom-up’ approach to democratization, and is more active in promoting non-governmental organizations (NGOs) and civil society organizations than the EU which – despite its own rhetoric to the contrary – remains even more statist, state-centred and ‘top-down’ in its philosophy of engagement and tactics. In some cases (e.g. Ukraine, but also Venezuela and Indonesia), the US actively supports opposition groups and parties in the liberalization phase of democratization processes, while the EU rarely engages in what it considers an interference in a country’s internal affairs. But even these differences should not be overstated. In the Middle East, for example, civil society organizations are not likely to be supported by either the US or the EU – as long as they are considered Islamist (see Chapter 4, this volume, by Youngs and Wittes; also Bicchi 2006).

I will now discuss the results from the case studies with regard to the logics of influence and the pathways of influence in more detail.

## Logics and pathways of influence

The introductory chapter to this volume distinguishes between various logics and pathways through which the EU and the US try to promote democracy. The logics of influence range from the use of force and coercion through various incentive-based policies to persuasion, socialization and learning, and, finally, capacity-building. Coercive means leave the target no choice but to adjust to the influencing agent. Neotrusteeships and military occupation which suspend the ‘Westphalian sovereignty’ of the target state (cf. Krasner 1999) are typical examples.

In contrast, incentive-based instruments – whether positive rewards or negative sanctions – still leave the target some choices. They are based on a rational choice logic since they try to influence cost–benefit calculations of actors or to change the opportunity structures of domestic reformers. Persuasive means use communicative practices and the ‘logic of arguing’ to convince targets that instituting democracy and the rule of law is actually morally appropriate and the ‘right thing to do’ (on these logics see Risse 2000; March and Olsen 1998). This also

includes public ‘naming and shaming’, if democratic norms or human rights are being violated. Last but not least, capacity-building denotes various instruments to strengthen institutional arrangements in order to enable them to effectively provide democratic rule, good governance and the rule of law.

As to the pathways of influence, we can distinguish whether a policy is directed at state actors and institutions, or whether their primary targets are non-state actors (firms, NGOs, civil society). Moreover, we differentiate between channels of influence in the sense of whether the EU or the US deal directly with their targets in a bilateral relationship or whether they use other organizations – IOs such as the UN or the OSCE, or semi-public foundations such as the US National Endowment for Democracy – to promote democracy (for details see Chapter 1 by Magen and McFaul).

### **Force and coercion**

The empirical chapters in this volume do not really deal in detail with the use of force and coercion to promote democracy. But even in this regard, the US and the EU have become more similar than different in recent years. First, as argued above, there has never been a US military intervention with the sole or even primary purpose of promoting democracy. Second, while the EU as such has not (yet) invaded other countries, it has now coercive means in its toolkit (see Chapter 2, Börzel and Risse). The EU mission in the Democratic Republic of Congo, for example, was mandated to use force in order to secure democratic elections. Moreover and with regard to neo-trusteeships or modern protectorates in post-conflict societies, the US and the EU are both involved in hierarchical means of promoting democracy with regard to forcing elections upon countries, building democratic institutions, and supporting the rule of law. Examples include the Western Balkans (particularly Bosnia-Herzegovina and Kosovo) as well as Afghanistan. In these cases, both the US and the EU exert authoritative rule and interfere with the countries’ ‘Westphalian sovereignty’ (Krasner 1999) in order to foster democracy and the rule of law.

At the same time, the use of force and hierarchical means of steering represent exceptions rather than the rule for both the US and the EU. As the case studies in this volume demonstrate, Washington and Brussels are both reluctant to employ coercive means in order to promote democracy, even in cases in which more forceful responses to blatant violations of human rights and democratic rule might be warranted. The same holds true in general for the use of negative incentives such as sanctions.

## Incentives

Apart from capacity-building (see below), using positive and negative incentives probably represents the most important means by which the US and the EU try to promote democracy. Once again, the similarities between the two prevail. First, both have the entire toolkit at their disposal from sanctions to positive rewards and both use it routinely. As a general rule, it is a false description of reality to state that the US usually punishes, while the EU offers rewards. A comparative and quantitative study of US and EU reactions to human rights violations throughout the 1990s revealed, for example, that the two increasingly converged over time with regard to their use of economic and diplomatic sanctions (Hazelzet 2001). As van Hüllen and Stahn in Chapter 5 and Börzel, Pamuk and Stahn in Chapter 6 show, both the US and the EU switched toward a punitive approach, including the deployment of sanctions, when authoritarian rule reasserted itself in Belarus. The same holds true for Georgia in 2001–2002 and Ukraine between 2002 and 2004, even though the US reacted a bit more harshly than the EU when the political situation deteriorated.

Second, both the EU and the US routinely use positive incentives and rewards to contribute to stabilizing democracy and institutionalizing the rule of law. One could even go further and argue that this – together with dialogue, persuasion and capacity-building (see below) – represents the default option for both Washington and Brussels (see Chapter 2, Börzel and Risse). As van Hüllen and Stahn argue, ‘the reluctance of both actors to give up their cooperative approach and to resort to a clear-cut punitive approach is striking’ (van Hüllen and Stahn, this volume: 143). This reluctance can occasionally turn from a virtue to a sin. In the case of Tunisia, for example, both continued to offer positive incentives when the situation on the ground deteriorated and grave norm violations could no longer be overlooked (see also Youngs and Wittes regarding the Middle East in general).

Third, the incentive-based toolkit at the disposal of the US and the EU is remarkably similar. Take the Millennium Challenge Corporation (MCC), for example, a reward structure which the US recently added to its instruments for governance promotion (Chapter 3 by Girod, Krasner and Stoner-Weiss).<sup>4</sup> It offers considerable amounts of aid provided a country has demonstrably improved its governance record. Positive conditionality has been part of the EU’s toolkit to promote democracy and good governance since the late 1980s, originally introduced in its relations with the ACP countries. More recently, the Governance Facility of the European Neighbourhood and Partnership Instrument



(ENPI) represents an instrument which pretty much emulates the MCC. However, as Girod, Krasner and Stoner-Weiss point out, the EU's Governance Facility is more intrusive than the MCC in that it tries to align a country with EU legislation.

Apart from these similarities, the EU and US approaches to democracy promotion diverge with regard to positive and negative incentives in some important aspects. The most important difference between the two – with regard to democratizing countries in their immediate neighbourhood – concerns the possibility of membership. The US can offer market access, but it cannot offer accession to the United States of America. The membership 'carrot', however, is probably the most significant (and also most effective) incentive structure that the EU can offer. Accession negotiations have allowed the EU to systematically and deeply interfere with the domestic institutional structures and legislations of its neighbours like no other international body ever has. Yet, the membership perspective with all the positive and negative incentives that come with it, only works for the consolidation phase of democratization, not for the liberalization per se. A country must first fulfil the 1993 Copenhagen criteria of democracy, human rights, the rule of law and market economy, before it can enter accession negotiations. In this sense, the MCC's logic emulates the Copenhagen criteria in terms of *ex ante* conditionality. There is a consensus in the literature on Eastern Europe that the EU membership perspective had a huge anchoring effect for the new democracies (see, for example, Grabbe 2006; Schimmelfennig and Sedelmeier 2005; but see Magen and Morlino 2008 for a qualifier).

Of course, the EU membership perspective only travels so far as a positive incentive. When it comes to the Middle East, Africa, Asia and Latin America, the US and the EU are on an equal footing in so far as the accession carrot is not available. But even in other regions of the world, there is an interesting difference between the US and the EU (see Chapter 2, Börzel and Risse for details): The EU has systematically written conditionality including suspension clauses with regard to human rights, democracy and good governance in its bilateral agreements with other countries worldwide. In other words, it has linked market access to democracy and other criteria, at least in principle.<sup>5</sup> It has secured WTO conformity through embedding these bilateral agreements in multilateral regional arrangements. While the US has used similar instruments with regard to NAFTA, the 'American empire' has so far refrained from linking trade agreements to human rights, democracy and the rule of law in such a systematic way.

While the EU in general is more intrusive than the US with regard to linking trade benefits to human rights and democracy promotion,

there might be one region of the world in which the conventional wisdom concerning 'cooperative Europe vs. confrontative America' seems to hold, namely Latin America. As Gratius and Legler argue in their chapter, the EU and the US have pursued very different policies toward Cuba and Venezuela. While regime change through sanctions and diplomatic isolation is the dominant American strategy toward authoritarian Cuba and recently toward Venezuela under its left-wing populist leader Hugo Chávez, the EU has consistently pursued positive incentives and dialogue.

It is less clear, though, whether these are exceptions to the rule and how these differences can be explained. As Gratius and Legler also point out, the American and European approaches to Bolivia and Colombia do not differ that much in that both the US and the EU have put democracy promotion on a backburner as compared to more immediate goals such as the fight against drugs and terrorism. In these two cases, both have prioritized stability and state-building over democracy promotion (see below). Maybe Latin America is not that much different after all. As to Cuba, one can probably point to more than forty years of hostile Cuban–American relations ever since Fidel Castro took over as a ruler. As to Venezuela, the US punitive approach resembles American policies toward left-wing governments in 'its backyard' which did not shy away from military and other interventions in the past. In other words, the differences between the US and the EU with regard to Latin America might be explicable in the framework of the ambivalent history of Latin America's relations with its overpowering neighbour in the North all the way back to the Monroe doctrine (Smith 1994).

In general, however, the US and the EU employ a similar toolkit with regard to incentive-based instruments of democracy promotion. The most important differences concern, first, that the US cannot use membership conditionality in its neighbourhood in the same way as the EU and, second, that the EU systematically links political conditionality to its market access agreements with the rest of the world. Yet, as the chapters in this volume demonstrate, the use of instruments becomes rather differentiated once the strategies encounter concrete situations on the ground (see particularly Chapter 5, van Hüllen and Stahn; Chapter 7, Gratius and Legler).

### **Persuasion**

Once again, the two political systems use strategies of persuasion and communication in an almost identical fashion. 'Political dialogue' forms part of the EU approach toward democracy promotion in every

region and every country of the world. While the US strategy is less systematic, it essentially employs the same means. In this sense then, 'talking other countries into democracy and the rule of law' is part and parcel of American and European approaches. Both also use 'naming and shaming' strategies in cases of norm violation, even though the US tends to be more outspoken in some cases (cf. Latin America, Belarus, Ukraine and Georgia; Chapter 7 by Gratius and Legler; Chapter 5 by van Hüllen and Stahn; Chapter 6 by Börzel, Pamuk and Stahn).

However, political dialogue and other strategies of persuasion are almost never used in isolation. They are usually linked to offering specific incentives and rewards as well as to efforts at capacity-building. As a result, it is very hard methodologically to isolate the effects of argumentative strategies from other instruments (for a discussion see Checkel 2005; Kelley 2004) and, therefore, easy to dismiss political dialogue as rhetoric. However, talk is never cheap and we know from studies of human rights implementation that even rhetoric can lead to serious dialogue (Risse 1999). It depends on the institutional environment in which efforts at dialogue and persuasion are embedded.

### **Capacity-building**

The literature on democratic consolidation strongly emphasizes that democratic governance must be built upon democratic institutions and that viable democracies require the rule of law and clear and effective procedures. In contrast, the growing literature on defective democracies demonstrates that the various semi-authoritarian regimes which are 'stuck in transition' lack precisely stable institutions and the rule of law (see, for example, O'Donnell 1996; Linz and Stepan 1996; Merkel et al. 2003–2004). As a result and next to using positive and negative incentives, capacity-building is the most important instrument in the American and European toolboxes for democracy promotion. In terms of the financial resources put into them, capacity-building measures are by far the most significant instruments. For example, the EU's PHARE program alone provided €1.5 billion per year (ca. \$1.95 billion) for the Eastern European accession candidates to assist in institution-building, adopting the *acquis communautaire*, and implementing structural funds after accession (Chapter 2, Börzel and Risse). Similarly, the US Millennium Challenge Corporation (MCC) also concentrates on capacity-building for qualifying countries, with Congress appropriating a similar amount per year (see Chapter 3, Girod, Krasner and Stoner-Weiss). Both the US and the EU follow their own scripts by applying very similar instruments in their relations to third countries across

the globe. In the European case, for example, the PHARE program was originally developed for Poland and Hungary, but then extended to all Eastern European accession candidates. A similar program – TACIS – was initially created to aid the transition to democracy and market economy in Russia and the Newly Independent States (NIS), but then extended under different names to the Western Balkans (CARDS) and to the Mediterranean (MEDA).

We should note, however, that capacity-building includes a whole variety of measures – ranging from support for elections, for public sector reform, the build-up of effective public administrations, to help for building up accountable budgetary processes and to setting up a functioning judicial system by training judges and prosecutors, as well as police forces (security sector reform), etc. In some cases, capacity-building does not mean much more than dispersing money into state coffers. In the case of the EU, capacity-building is often not even meant to promote democracy directly, but to enable a country to adjust to the *acquis communautaire* and to European legislation.

As a result, the lines between democracy promotion in the strict sense, development aid, or simply stabilization and state-building often blur with regard to capacity-building. Building independent central banking institutions and effective finance ministries may support democratic transition processes which require stable financial institutions. Training policy forces might help to institute the rule of law in public security. But these measures in and of themselves enhance state capacity and the effective implementation and enforcement of political authority and rule structures in the first place. While strengthening the state might be important to support effective and democratic governance, it does not per se contribute to democratic rule. Even autocratic rulers profit from stable financial institutions and effective tax authorities.

This is one of the reasons why capacity-building measures are often attached to positive and negative conditionality, both *ex ante* and *ex post*. The EU's capacity-building programs are almost always conditioned on either promises to carry out democratic reforms (e.g. Lomé and Cotonou agreements with ACP countries) or predicated on reforms already carried out (e.g. Copenhagen criteria as well as the Governance Facility of the European Neighbourhood Policy). In a similar way, the American MCC strengthens state capacity, but requires *ex ante* political and democratic reforms. Yet apart from the MCC, the EU capacity-building measures appear to be more strongly institutionalized and formalized as part of the democracy promotion toolkit.

In the absence of at least some degree of democratic conditionality – whether *ex ante* or *ex post* – one should not confuse capacity-building measures with democracy promotion. Some measures might be necessary to preventing a country from falling apart or slipping back into ethno-political conflict. But strengthening a state or a society by building effective institutions or training bureaucrats and bankers is not a democracy promotion measure *per se*, since it can also render autocratic rule more effective.

**Pathways of democracy promotion: state vs. non-state actors, direct vs. indirect means**

In general, the US and the EU target both state and non-state actors in their democracy promotion strategies. At least in their declaratory policies, both have realized that a vibrant democracy needs a lively civil society and that, therefore, local NGOs, societal interest groups, citizen initiatives and political parties ought to be supported. This insight is, of course, corroborated by the literature on democratization which emphasizes that social mobilization and the emergence of independent societal organizations is a prerequisite for democratic consolidation (Linz and Stepan 1996). While the initial regime change might be carried out ‘top-down’, civil society organizations are as important for democratic consolidation as democratic institutions (see, however, Risse et al. 1999 for the necessity of civil society mobilization even in liberalization phases).

Yet, in general, neither the US nor the EU put their money where their mouth is. Most of the instruments and policies of democracy promotion and by far most of the financial resources are directed toward states and channelled through state institutions. This is true even in those cases in which the ultimate targets are societal and non-state actors. The main reason for this reluctance to directly support civil society is, of course, due to respect for national sovereignty. Democracy promotion, by its very nature, interferes with the domestic sovereignty of countries to determine themselves how they want to be governed. Democracy promotion through direct assistance for non-state actors and possibly anti-regime as well as opposition forces constitutes an even more delicate affair. In the case of authoritarian regimes, it can also be outright dangerous for opposition movements to be supported by external actors. Autocratic rulers routinely use the transnational networks of opposition forces to accuse them of state treason or spying for foreign countries. In sum, targeting non-state actors in democracy promotion programs remains a rather delicate affair.

Nevertheless, both the US and the EU fund programs directed at local NGOs and other non-state actors. They both employ programs to promote democracy 'from the bottom up'. The EU's European Initiative on Democracy and Human Rights (EIDHR) with an annual budget of ca. €100 million a year (ca. \$130 million) allows to circumvent the target state and to fund civil society organizations even without the consent of national governments (cf. Chapter 2, Börzel and Risse; Chapter 5, van Hüllen and Stahn on the Mediterranean and the NIS; and Chapter 6, Börzel, Pamuk and Stahn on the Southern Caucasus). Normally, EIDHR projects work in such a way that European or Western NGOs team up with local groups so that the resources are channelled to them indirectly. In a similar fashion, the US State Department manages the Human Rights and Democracy Fund (HRDF) dispersing ca. \$340 million a year (ca. €260 million). As in the case of the EIDHR, the HRDF can directly fund citizen initiatives and local non-state actors. Its main non-state client in the US is the National Endowment for Democracy (NED) through which most of the human rights and democracy promotion efforts targeted at non-state actors are channelled. Such an institution is missing on the EU level, even though the recently founded 'European Partnership for Democracy' might serve a similar purpose in the future.

While the US and the EU have similar instruments at their disposal to target non-state actors, the chapters in this volume indicate that the US is more prepared to use indirect means to target civil society groups than the EU (see above). The cases of Morocco and Tunisia, of Belarus and Ukraine, of Georgia and Azerbaijan, of Indonesia as well as the Latin American cases all suggest that the US government is more systematic than the EU in its support for civil society and NGOs on the ground (see Chapter 4 by Youngs and Wittes; Chapter 5 by van Hüllen and Stahn; Chapter 6 by Börzel, Pamuk and Stahn; Chapter 8 by Kleinfeld; and Chapter 7, Gratius and Legler). In some cases, such as Venezuela, Ukraine and Georgia, the US is even prepared to directly support opposition parties and groups against the regimes in power (see McFaul 2007 on Ukraine).

Moreover, as the Ukrainian example during the 'Orange revolution' or Georgia during the 'Rose revolution' demonstrate, the US is prepared to support societal opposition groups during the liberalization phase, at least through indirect channels. The EU is more reluctant during these initial democratization phases to support civil society or opposition group (see Chapter 4 by Youngs and Wittes on this point). EU support for democratization processes mainly kicks in during the consolidation

phases, i.e. after regime change has taken place, as the examples of Central Eastern Europe, Serbia and Turkey demonstrate (see Magen and Morlino 2008). In this particular sense, the US does indeed support regime change more strongly than the EU under certain conditions.<sup>6</sup>

The Indonesian case is rather instructive in this regard (see Chapter 8 by Kleinfeld): The EU lacked a strategy to support Indonesian democratization and was largely absent during the transition period (apart from an election observer mission in 1999). In 2000, it almost accidentally funded an NGO, the Partnership for Governance Reform, working through the UN and other organizations. This group built a powerful network of personal relationships and became crucial in supporting civil service reform. Yet, when the Partnership began to be successful, the EU ceased funding. In sharp contrast, USAID and NED provided funds directly to NGOs from 1990 onwards and thus, decisively contributed to what became one of the most lively NGO communities in Southeast Asia (Jetschke 2000; Jetschke 1999) which was crucial in President Suharto's ouster in 1998. This is reminiscent of the ways in which the US supported the Polish opposition trade union *Solidarność* during the 1980s – again mostly indirectly through the Vatican and the Catholic Church in general. In the Indonesian case, however, one should not forget that the US played it both ways at the time: Suharto's regime was strongly backed by American military assistance up to the mid-1990s. Even the Clinton Administration only stopped supporting him when Suharto had lost the domestic battle.

In general then, both the EU and the US direct most of their resources for democracy assistance toward state actors. Yet it is the US rather than the EU which spends considerably more money on 'bottom-up' rather than 'top-down' approaches to democracy. This is probably the most significant difference between the US and the EU: Despite its rhetoric to the contrary, the EU is less willing to support civil society and opposition groups during the transition periods to democracy than the US, who also appear to invest more resources in general to fund non-state actors. However, one should not forget in this context the EU's nature as a multi-level governance system: While an institution such as the Congressional-sponsored NED does not exist on the EU level, similar institutions have been active toward human rights and democracy promotion in various member states for a much longer time. The most significant ones are the German party foundations which have been active across the globe on similar missions since the 1950s and have provided the blueprint for the NED and other foundations (see Le Gloannec 2006).

## Double talk, double standards and conflicting goals

The US and the EU not only behave in rather similar ways with regard to democracy promotion. They also share many shortcomings in their application of the various strategies and instruments. This is particularly noteworthy with regard to the Middle East, as Chapter 4 by Youngs and Wittes shows in detail. Europeans and Americans disagreed sharply at first over the Bush Administration's Greater Middle East Initiative, with Europeans arguing that democracy cannot be imposed from the outside. Yet, when the Broader Middle East and North Africa Initiative was finally agreed upon, neither the US nor the EU did much to put it to work.

As a result, there is a 'yawning gap between rhetoric and policy evident on both sides of the Atlantic' (Youngs and Wittes this volume: 99). The examples of Egypt, Saudi Arabia and the Gulf states show that neither the US nor the EU are prepared to lose important allies in the Middle East over their professed goals of democracy promotion. During the early 2000s, both developed quite some rhetoric of democracy assistance and criticized Middle Eastern autocracies sharply for their human rights abuses. Yet neither the US nor the EU put their money where their mouths were. From about 2006 on, even the rhetoric was tuned down considerably, as Youngs and Wittes argue.

Last but not least, funding for democracy promotion projects declined considerably, particularly when Hezbollah won seats in the Lebanese elections in 2005 and when Hamas overwhelmingly won the Palestinian elections in 2006. Neither the US nor the EU are prepared to accept fundamentalist Islam in power, no matter how free the elections have been. In this sense, both are rather similar with regard to double talk and double standards.

One difference between the US and the EU should be noted in this context, though: While the EU is not prepared to support radical forces taking over power in various corners of the world under the heading of democracy promotion, it does not directly sponsor autocratic regimes (its member states do, of course). In contrast, many autocratic regimes which are crucial for American strategic interests would probably have a lot more trouble domestically in the absence of US military assistance – from Pakistan to Egypt and Saudi Arabia. In this sense, the US not only promotes democracy, but also actively backs up autocratic regimes in some cases. Of course, many European states – notably Great Britain and France – are similarly engaged with military assistance. The EU is not, however, if only for the lack of resources for military aid.



Of course, it is easy to denounce such double talk and double standards and to demonstrate that both the EU and the US share a gap between their democracy promoting rhetoric and their actual deeds. We should acknowledge, though, that the two face real policy trade-offs and conflicting goals. Take Hamas: It is true that Islamist Hamas overwhelmingly won reasonably free and fair elections in the Palestinian territories and, thus, has gained a certain degree of legitimacy, if we are to take the value of political competition seriously. But the fact of the matter remains that Hamas is also a terrorist organization whose declared goal is both the Islamization of Palestinian society and the destruction of the State of Israel, the only consolidated liberal democracy in the Middle East and a security ally of both Europe and the US.<sup>7</sup> In this case then, support for democratic rule and security concerns clash head-on.

This example has several implications: Western powers such as the US and the EU often pursue conflicting goals in their foreign policies. Democracy promotion is only one of such goals. As Gratius and Legler in Chapter 7 and Börzel, Pamuk and Stahn in Chapter 6 show, in the cases of Bolivia, Colombia and Azerbaijan, security and the fight against terrorism as well as drugs trump democracy promotion for both the US and the EU, even though the US favoured military solutions to the internal conflicts, while the EU supported negotiated solutions. Both the US and the EU tend to put stability and security first, however, when there is a trade-off between stability and democracy. To the extent, though, that the US is comparatively more inclined to support 'bottom-up' efforts and civil society mobilization toward democracy, particularly during the liberalization phases, it is also prepared to take greater risks that developments occur which run counter to its strategic interests.

Value trade-offs and conflicting goals have little to do with a clash between 'norms' and 'interests', as realist interpretations of such behaviour would claim. Is supporting Israel's security as the only stable democracy in the region a value – or an interest-based goal? Does it make sense in the name of democracy promotion in the Middle East to support no matter which opposition to the autocratic regimes, even those who are not particularly known for their support for human rights including women's rights?

Thus, one should acknowledge that value trade-offs and conflicting goals are normal parts of political life including foreign policy. It makes neither analytical nor normative sense to expect that the US and the EU prioritize democracy promotion over any other political goals. While

democracy assistance is good for both security and development in the long run, there are trade-offs in the short term. We know, for example, that democratizing states are conflict-prone and in general more rather than less involved in violent conflicts with other states (for data see Mansfield and Snyder 2005). As a result, promoting democracy no matter what might actually provoke violent ethno-political conflict in the short run rather than helping secure the 'democratic peace'.

In sum, the US and the EU are occasionally partners in hypocrisy, since they both do not always practise what they preach. However, double standards and a certain degree of hypocrisy are to be expected in a world of value trade-offs and often conflicting foreign policy goals.

## Conclusions

At the beginning of the twenty-first century, democracy promotion and assistance have become part of a global cultural script. There is almost no international organization, regional organization or state left that does not at least rhetorically proclaim its support for human rights, democracy, the rule of law and good governance. The US and the EU are not only no exception, but they have been at the forefront of this move toward establishing democracy promotion as a legitimate global norm that overrides concerns for national sovereignty. As this volume demonstrates, both have developed a variety of policy instruments to enable them to put democracy promotion into practice. Contrary to the conventional wisdom and the 'Venus vs. Mars' metaphor, the US and the EU have developed similar toolkits ranging from capacity-building, persuasion and other communicative strategies to positive and negative incentives, and even the use of coercion and force (Chapters 3 by Girod, Krasner and Stoner-Weiss; Chapter 2 by Börzel and Risse).

As the country case studies in this volume show, the application of these instruments to specific countries varies considerably. In the case of Indonesia (Chapter 8 by Kleinfeld), the EU had no strategy at all, while the US inadvertently did all the right things. Cuba and – more recently – Venezuela appear to be two cases in which the conventional wisdom holds that the US is more confrontative and the EU more cooperative in their respective approaches (Chapter 7 by Gratius and Legler). But the vast majority of cases discussed in this book, that is, Bolivia and Colombia, Morocco and Tunisia, Belarus and Ukraine, as well as Georgia and Azerbaijan, demonstrate that both the US and the EU employ their instruments in a context-sensitive way, that is, pay attention to the situation on the ground (Chapter 5 by van Hüllen and

Stahn; Chapter 6 by Börzel, Pamuk and Stahn; Chapter 7 by Gratius and Legler). In other words, if there is variation in the use of strategies and instruments of democracy promotion, it is dictated by local conditions rather than by the institutional features of the external democracy promoters. Last but not least, we should not overlook that the US and the EU share another similarity when it comes to democracy promotion: In many cases, they do not practise what they preach and there is a gap between their rhetoric and the limited resources which both put into their efforts (see particularly Chapter 4 by Youngs and Wittes).

Thus, this volume represents an effort to move beyond the 'Mars vs. Venus' caricature of the differences between the US and EU democracy promotion programs and toward a much more fine-tuned picture of what these two powers actually do. I would like to reiterate, however, that this book did not look at the effectiveness with which the US and the EU employ their democracy promotion strategies and instruments. To measure the effects of external democracy promotion on the ground and to compare them with other factors that aid or hinder democratic transitions represents a daunting task which is beyond the scope of this book (see, however, Pevehouse 2005; Magen and Morlino 2008; Grabbe 2006; Schimmelfennig and Sedelmeier 2005; Kelley 2004; Finkel et al. 2007). As a result, I cannot conclude with policy advice on which strategies and instruments work and which do not.

Nevertheless, several policy lessons result from this volume: First, be aware of conflicting policy goals! Both the US and the EU are in danger of overplaying their rhetorical cards as if the promotion of democracy, human rights, and the rule of law trumps all other foreign policy objectives. As argued above, they face value trade-offs and conflicting goals more often than not. It is better to openly acknowledge these trade-offs in public discourse rather than to paper them over, for both domestic and foreign policy reasons. Extremely high rhetorical standards to which one cannot live up to, only serve to delegitimize efforts at democracy promotion in general, as the US and the EU currently learn the hard way in the Middle East.

Second, policymakers ought to recognize the diverging time horizons with regard to their efforts at democracy promotion. If we know anything about democratization processes, they take a long time and have to be measured in decades rather than years. In contrast, time horizons in liberal democracies are usually measured in short election cycles. As a result, policymakers must constantly balance between the expectations of their electorates for quick and speedy results, on the one hand, and

the fact that external democracy promotion is a cumbersome process which might only yield results in the long run, on the other hand.

Third, the US and the EU must realize that they cannot reach their common goals of democracy promotion if they do not cooperate and coordinate their activities, both in the transatlantic relationship and on the ground in the various countries. This does not exclude divisions of labour and sometimes different priorities. But transatlantic cooperation seems essential when practising democracy promotion. For instance, sanctions only pressure autocratic regimes to change if all major powers enforce the sanctions regime. If some countries defect, then sanctions are likely to fail. Contrary to conventional wisdom, US and EU economic pressures are more effective than usually supposed, especially when pursued together. Similarly, diplomatic pressure works best when the West speaks with one voice. The unanimous decision by all European countries and the United States to not recognize the falsified presidential election in Ukraine in November 2004 played a positive role in compelling the incumbent, President Leonid Kuchma, to back down. Had the West not been united, the outcome could have been different. But there also are most certainly countries in which ties (for historical or geographical reasons) to Europe and the United States differ significantly and therefore it may be better for Europeans and Americans to pursue their programs for democracy promotion independently from each other.

Finally, there are serious challenges ahead for the future of Western efforts at democracy promotion. I briefly discuss three.<sup>8</sup> First, there is the rise of semi-authoritarian regimes, defective democracies, and countries 'stuck in transition'. Many African, Central Asian and Southern Caucasian states have reached a rather stable equilibrium combining elements of authoritarianism (e.g. the lack of rule of law and human rights) with elements of (electoral) democracy. In other words, semi-authoritarianism and defective democracies do not appear to be transitory phenomena that will simply go away in the relentless drive toward modernization, but may be here to stay.

The second challenge may be exacerbating the first one. The (re-)emergence of Russia and China as global powers provides global role models for stable semi-authoritarianism. On the one hand, Russia is a defective democracy combining electoral participation with a lack of rule of law and human rights. China, on the other hand, has instituted some elements of rule of law (excluding human rights, though), but lacks participatory rights. Together, China and Russia seriously challenge the Western-dominated discourse on democracy as a global

script. As a result, the hegemony of this cultural script – the ‘liberal moment’ – might already be over as we head into the second decade of the twenty-first century.

Third, there is a group of states in the international system where it might not matter much whether they are democratically governed or not. Roughly one third of the states on the globe are weak, fragile, failing or even failed, that is, state institutions lack the capacity to enforce and implement central decisions. ‘Areas of limited statehood’ are far more common in the contemporary international system than most analysts recognize (Risse and Lehmkuhl 2007). In many cases, these are also countries with little economic growth and enormous poverty (the so-called ‘bottom billion’, see Collier 2007).

These challenges have significant theoretical and political implications. The main theoretical implication is that they call into question the theoretical underpinnings of the Western efforts at democracy promotion. The liberal global script which informs the democracy promotion strategies and instruments of both the US and the EU is firmly based on modernization theory. The idea is that economic growth, market economy, the rule of law, human rights and democracy will all converge at some point in time, as they did in the Western case of liberal and capitalist democracies. The strategies to implement modernization theories diverged over time. In the 1960s, the conventional wisdom held that economic modernization has to be initiated first and that liberal democracy would follow (see e.g. Huntington 1968). In the late 1980s and early 1990s, the order was often reversed. Inspired by the Eastern European experience, many scholars now concluded that political democratization will lead to economic modernization and market capitalism (ironically, Samuel Huntington again was at the forefront of that move, see Huntington 1991). Nowadays, most international organizations as well as the US, the EU and its member states pursue strategies combining ‘all of the above’. Democracy promotion is part of a toolkit of governance assistance which simultaneously tries to foster economic growth, capitalism and political modernization.

The three developments mentioned above challenge the theoretical foundation of these strategies. If semi-authoritarianism or defective democracies are here to stay and can be combined with rapid economic growth and capitalism in a globalized world, the Western script faces a problem. Does this mean that the US and the EU should give up democracy promotion and return to the good old days of a *Realpolitik* foreign policy? Not at all. As argued in this chapter, the US and the EU are ‘normative powers’ and external assistance to promote democracy, human

rights and the rule of law constitutes an intrinsic part of their foreign policy identities which cannot be and should not be altered easily.

But the challenges discussed above point to at least three political implications. First, the rise of China and the re-emergence of Russia imply that the Western powers, once again, have to fight for their values. I do not mean to suggest that we are experiencing a new Cold War. But we can no longer take it for granted that each and everybody will simply embrace liberal values, because there is no alternative solution that also provides economic welfare. Selling democracy as nothing more than a path to economic development overlooks that freedom, human rights, the rule of law and democracy are values in their own right to promote human dignity. The developments mentioned above suggest that a purely instrumental approach to democracy promotion might not do in the future.

Second, the emergence of semi-authoritarian states and defective democracies as well as of weak and fragile states suggests that even more attention has to be paid to context. Belarus, Georgia, Morocco and Afghanistan represent very different types of political systems as a result of which Western strategies at democracy promotion need to be even more fine-tuned than they already are. In this regard, the US and the EU must pay much more attention to regional organizations as transmitters of liberal values (see Pevehouse 2005) and must realize that global values have to be 'translated' locally into sometimes very different cultural contexts. It is not obvious, for example, that a Western-type party system represents the best way to aggregate social interests irrespective of context.

The third implication is that more attention has to be paid to the unintended consequences of democracy promotion. On the one hand, capacity-building that strengthens state institutions and their ability to implement and enforce decisions is, of course, helpful in state-building efforts for weak and fragile states. At the same time, these efforts do not necessarily lead to democracy, but they can also stabilize authoritarian and clientelistic rulers by giving them more tools to exert their authority. On the other hand, focusing on electoral participation and human rights alone might actually weaken fragile states even further. I do not want to get into the 'elections first' vs. 'institutions first' debate here (see Paris 2004), but the US and the EU need to be aware of potential counter-intuitive effects of their strategies and instruments.

In short, democracy promotion from the outside is a complex business. Strategies and instruments by international actors such as the US and the EU interact with factors on the ground in ways that are still

poorly understood. The purpose of this book is not to promote a 'one size fits all' solution to these complexities, but to move the scholarly (and also political) debates away from simplistic caricatures and dichotomous metaphors as to what the US and the EU are doing. The next step will be to offer comparative studies of the effectiveness of international efforts at democracy promotion on the ground. But this task has to wait for another book.

## Notes

1. I thank Tanja Börzel and Amichai Magen for their extensive comments on the draft of this chapter, as well as the participants in the Berlin-Stanford project for their insights.
2. Research teams at Stanford's Center for Democracy, Development, and the Rule of Law, on the one hand, and Berlin's Research Center 'Governance in Areas of Limited Statehood', on the other, are currently engaged in comparative studies of the effects of external democracy promotion in liberalizing, consolidating, and post-conflict countries.
3. Of course, there is a history of US military interventions around the globe; these interventions rarely aimed at promoting democracy, but almost always served other purposes.
4. Of course, that governance assistance and democracy promotion are overlapping, but not completely identical concepts. However, since this volume employs a rather broad concept of democracy that is not confined to its participatory aspects, but encompasses the rule of law and human rights, 'good governance' is at least partly included.
5. Note that the implementation and enforcement of these conditionality clauses is an altogether different matter. Here, the EU's record does not look nearly as good. In some cases such as Indonesia, the EU simply lacked a strategy for democracy promotion (see Chapter 8, Kleinfeld).
6. To be sure: Neither the EU nor the US support regime change in cases in which strategic or other interests override support for democratization (see below).
7. In this particular case, the situation is even more complex: Hamas would probably not have won the Palestinian elections if the Palestinian Authority under Arafat – backed by the US and the EU – had not been such a corrupt and badly governed administration. As a result, it was Hamas providing crucial social and health services in the Gaza strip and the West Bank.
8. A fourth one might be the continuing presence of some stubborn autocratic regimes in the international system. However, since this does not constitute a new phenomenon, I will refrain from discussing it here.

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