Beyond the golden carrot of conditionality

How the EU influences countries across its borders

Though following the economic and financial crisis, the European Union still has to solve many internal issues, there are also external challenges to consider. On its eastern border, Russia is becoming increasingly assertive in the international arena. On its southern border, the tentative transition of Arab countries towards democracy has led to unrest and turmoil. And on a global scale, economic and political power is shifting away from the Western hemisphere. How should the EU deal with these international challenges? As a foreign policy doctrine, liberal internationalism might be helpful for understanding the role of the EU in the world. This article classifies the EU as a liberal international organisation and reviews the strategies it can use to influence its environment as well as the conditions under which they promise to be effective.

Liberal internationalism

Liberal internationalism is a foreign policy doctrine that is about the diffusion of liberal values across the globe. It stipulates a triangle of peace and international cooperation via democracy, trade, and institutions. Democratic states, it is believed, do not wage war against each other; they are more open to other forms of interactions and interconnections between their societies. Secondly, trade is assumed to make a positive contribution to peace. The connection between free trade and the collective welfare of nations has always been a signature feature of liberal theory in general. Finally, liberal internationalism suggests that international organisations not only foster peace, cooperation, and transnational exchange but also help the establishment and survival of democratic regimes. This liberal triangle of democracy, trade, and institutions is not simply ideology. It has generally found support in empirical research, with ‘democratic peace’ as its strongest element.

The EU epitomises liberal internationalism. First, it defines itself by core liberal values: ‘The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights…’ (Art. 2 Treaty on European Union). It is composed uniquely of democratic countries; its accession rules (Art. 49) provide for any European state subscribing to the liberal values to apply for membership. Second, trade is the EU’s foundation. The European Economic Community (EEC) started as a customs union with a plan to develop into a common market. The ‘1992’ program for the

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Single Market revived European economic integration after many years of stagnation and triggered further integration projects such as the Economic and Monetary Union (EMU) and the Schengen free-travel zone. Third, the EU is the most strongly integrated international organisation in the world. The scope and strength of delegation and pooling of sovereignty is unparalleled by other multilateral organisations. No international organisation has a more powerful supranational parliament or court. As a consequence, the European Union has helped to establish and preserve peace in a formerly war-ridden region of the world, and it has produced intense and durable international cooperation.

Foreign policy of the EU

These liberal features also characterise the external relations of the EU. Since the early 1960s, it has developed a system of associations with nonmember countries which mirror the liberal triangle. First, trade is both the starting point and the core of the association. Preferential trade agreements have usually been the first agreements the EU has concluded with nonmember states. These agreements have provided the launch pad for deeper trade liberalisation and further economic and political integration. Second, the EU has pursued the deepening of institutional relations with nonmember states. Association agreements include not only committees for the joint resolution of problems and disputes but also an implicit or explicit possibility of deepening the institutional relationship and, in the case of agreements with European countries, of bringing them closer to membership. This has been true for the association agreements of the 1960s with southern Europe, the Europe agreements of the 1990s with Central and Eastern European Countries, and the stabilisation and association agreements of the 2000s with the Western Balkans. Relationships with nonmember states not wishing to join are still highly institutionalised, the European Economic Area (EEA) agreement with Iceland, Norway, and Liechtenstein, for example, comes with the dynamic adoption of EU rules and supranational dispute settlement.

Finally, liberal values have also been the main condition for establishing association agreements and moving closer to membership. Democracy, human rights, and the market economy have become essential elements of the agreements that the EU concludes with third countries—from trade agreements to accession treaties. Not only is the signing and ratification of such agreements subject to compliance with liberal principles and agreements; they can also be suspended or terminated if those principles are severely violated by the EU’s partners. For those countries who wish to join the EU, it is generally true that the more democratically consolidated they are, the closer they are to full membership. European countries outside the European Union (ENP), such as Belarus and Russia, are more autocratic than Moldova, Ukraine, and the countries of the Southern Caucasus that participate in the ENP. The countries in the Western Balkans associated with the EU are on average more democratic than the ENP countries, and those Western Balkan countries that are recognised as candidates for membership (Macedonia, Montenegro, and Serbia) are more democratically consolidated than those that are not (Albania, Bosnia-Herzegovina, and Kosovo).

Croatia, the most democratically consolidated country of the group, has recently joined the EU. In turn, however, Croatia has lagged behind the new member states in Central and Eastern Europe that joined in 2004 and 2007.

In sum, the EU represents a typical liberal international organisation in its internal and external relations. Internally as well externally, it is based on progressive market integration, democratic membership, and the building of strong common institutions. It is a separate question, however, whether and under what conditions the EU’s external policies attain their goal of promoting democracy and institutionalisation.

Influence

How can the EU influence developments abroad? Possible strategies can be identified based on three pairs of characteristics. First, strategies can be incentive- or persuasion-based. Incentive-based strategies seek to change the cost-benefits calculations of third countries by offering or withholding rewards or inflicting sanctions. By contrast, persuasion-based strategies seek to convince actors in third countries of the appropriateness of EU policies. Second, strategies...
can be direct or indirect depending on whether or not the EU takes a proactive stance and seeks to intentionally promote its model and policies. Third, the EU can either use the intergovernmental or the transnational channel. That is the EU can either influence other governments that then adapt to EU goals and policies or it can influence societal actors such as firms, parties, or civil society actors that then put pressure on their governments. Combination of these characteristics leads to a variety of strategies.

Conditionality and socialisation are the basic strategies used. Conditionality is a direct, intergovernmental, and incentive-based strategy. Here the EU sets conditions to be fulfilled by third countries in order to obtain rewards or avoid sanctions. The most relevant rewards are different types of agreements ranging from trade agreements to accession treaties as well as the market access and financial aid that come with them. Correspondingly, the EU’s sanctions consist of suspending or terminating such agreements. Typically, however, the EU uses positive conditionality. Rather than sanctioning countries or even coercing them to adopt its norms and rules, it keeps them in the agreement waiting room until they meet the conditions. The effectiveness of conditionality depends on the size of the EU’s rewards, the adaptation costs of the target country, and the credibility of conditionality. In a nutshell, the rewards on offer must outweigh the EU’s conditions, and third country governments need to be certain that it will obtain the reward if it meets the conditions and that it won’t if it doesn’t.

Socialisation is a direct and persuasion-based strategy that may operate at the intergovernmental or transnational level. It comprises all EU efforts to disseminate its policies by persuading outside actors of the ideas and norms behind them. Rather than manipulating the cost–benefit calculations of external actors, the EU teaches them the principles and rules of its model of European governance. External actors adopt and comply with EU rules if they are convinced of their legitimacy and appropriateness and if they accept the authority of the EU. This is more likely to be the case if the external actors identify with and aspire to belong to Europe. Frequent and solid contacts between the EU and external actors and the reassurance of EU norms and rules with domestic traditions provide further favourable conditions for effective socialisation.

The EU, however, also affects third countries indirectly. Externalisation is an incentive-based strategy. The EU’s sheer presence as a market and as a regional system of governance produces (sometimes unintended or unanticipated) externalities. External actors adopt and follow EU rules because ignoring or violating them would generate net costs. Firms interested in participating in the EU market must follow the EU’s rules. Countries whose economies are strongly interconnected with the EU make their internal rules compatible with those of the EU. In general, the effects of externalisation increase with the market size of the EU and the strength of its regulatory institutions. The larger the EU’s share is in the foreign trade of a country, and the more binding and centralised the EU’s rules are, the more this country will be subject to adaptation pressures. In imitation, the EU serves as a role model that other countries emulate. Non-member actors imitate the EU because they recognise EU rules and policies as appropriate solutions to their own problems. As in the case of socialisation, novices in the international system are more likely to look for and emulate role models. They are more likely to adopt the EU’s conditions, and, to the extent that third country governments need to be certain that it will obtain the reward if it meets the conditions and that it won’t if it doesn’t.

Conditionality Although the EU makes use of all of these instruments and mechanisms and has affected third countries with them, its signature strategy is conditionality. It fits well with the EU’s nature as a liberal international organisation because both the conditions the EU stipulates and the rewards it offers derive from this policy doctrine. In addition, its rewards-based and non-coercive strategy is in line with the principle of self-determination. Conditionality, however, is only effective under well-defined circumstances. First, the EU needs to offer countries a credible conditional membership perspective. Membership is the only ‘golden carrot’ that motivates governments to undertake costly reforms. Whereas the EU has had discernible impact on countries that were offered a possible membership, no systematic effect of EU democracy promotion can be found for weaker incentives. In addition, membership conditionality needs to remain credible. If countries such as Turkey get the impression that they might not be accepted even if they fulfil the conditions, the EU impact wanes. The same is true if countries feel sure to be admitted regardless of meeting some of the conditions – as in the case of Cyprus’ rejection of the UN peace plan for the island. The early setting of accession dates as in the case of Bulgaria and Romania can also have a detrimental effect. Finally, domestic political costs of compliance for the target governments need to be moderate. Such costs have proven prohibitive for regimes whose preservation of power depends on undemocratic institutions and practices. Even a credible and attractive offer of EU membership cannot turn the benefit calculations of such regimes positive. National identity issues (such as minority rights and ethnic conflict in the Baltic countries and the Balkans) have also proven difficult to overcome.

This situation does not bode well for the future of EU conditionality. Enlargement has become contested in the EU and subject to Euro-sceptic mobilisation by non-EU citizens, thus reducing the credibility of the EU’s membership promise. Moreover, the EU is increasingly dealing with non-members that suffer from legacies of autocratic rule and ethnic conflict and may thus be unable to meet the conditions of accession. As a result, accessing conditionality, the most successful strategy of EU external relations, is likely to lose its relevance.

The alternatives have proven to be of limited impact. The European Neighborhood Policy (ENP), in particular, has been promoted since 2003 as a general framework for countries without the possibility of membership and has copied several elements of the EU’s enlargement policy – such as rewards based policy conditionality. However, not only have the incentives on offer been much weaker, but the ENP has also suffered from inconsistent conditionality. Geoeconomic and economic (mainly energy) interests have taken precedence, and the domestic obstacles to liberalisation and democratisation have proven insurmountable in most cases. As a result, there has not been a discernible democratisation effect of the ENP. Because identification with liberal values and Europe are weak in most of the neighbourhood region, the prospects of socialisation as an alternative to conditionality appear limited as well.

In short, given the current limitations facing conditionality and socialisation as strategies, the EU needs to evaluate and implement other options for furthering the doctrine of liberal internationalism and spreading the triangle of peace and international cooperation.

Frank Schimmelfennig is Professor of European Politics at the Swiss Federal Institute of Technology in Zurich (ETH) and member of the Center for Comparative and International Studies. His main research interests are the theory of European integration and, more specifically, EU enlargement, democratisation, democracy promotion, and differentiated integration. He is the author of The EU, NATO and the Integration of Europe: Rules and Rhetoric (Cambridge University Press 2003), which received the Best Book Award from the European Union Studies Association. His most recent book is Differentiated Integration: Explaining Variation in the European Union (Palgrave 2013, with Dirk Lauffen and Berthold Ritterger).