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External Incentives, Internal Change?

Assessing the EU's Democracy Promotion through Leverage–Linkage–Governance

A Synthetic Control Study of the GSP+

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Abstract

This thesis examines the European Union's democracy promotion by investigating the potential of its instrument Generalized Scheme of Preferences Plus (GSP+) to promote liberal democratization in developing countries. The democracy promotion potential of GSP+ has previously remained largely untested, despite incorporating theoretically grounded mechanisms from democracy promotion research. The study adopts a theoretical framework that combines three models of democracy promotion; *linkage*, *leverage*, and *good governance* — each operationalized and integrated as original statistical indices.

Methodologically, the thesis adopts a mixed-method design combining Synthetic Control Method with two panel data estimators, complemented by Temporal trend comparison. This triangulated strategy strengthens causal identification and explanatory depth, attempting to address methodological challenges within the field.

The results demonstrate a robust correlation between good governance and liberal democracy across countries, confirming theoretical arguments. Leverage shows moderate but less consistent correlations, while linkage, as operationalized, appears weak and insignificant. The counterfactual model employed for investigating the research question indicates that the effect of the GSP+ on liberal democracy is heterogeneous and ambiguous. In most countries, no significant impact is observed; in Armenia and Sri Lanka, a strong effect emerges, but its direct attribution to the GSP+ is uncertain. Only in Mongolia, out of seven cases, does the GSP+ demonstrate evidence of causality. Therefore, causal attribution remains uncertain due to contextual variation across countries. While the European Union's GSP+ appears capable of amplifying reform processes, it does not demonstrate universal or distinct causal effect on liberal democracy, reaffirming the inherent challenges of democracy promotion efforts.

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List of Abbreviations

Abbreviations	Full Term
DiD	Difference-in-Differences
DPM	Democracy promotion model
EBA	Everything but Arms
EEAS	European External Action Service
EIDHR	European Instrument for Democracy and Human Rights
ENP	European Neighbourhood Policy
EU	European Union
GSP	Generalized Scheme of Preferences
GSP+	Generalized Scheme of Preferences Plus
H1-H4	Hypothesis 1 to 4
ODA	Official Development Assistance
PCA	Principal Component Analysis
RE	Random Effects
RoW	Regimes of the World
SCM	Synthetic Control Method
TWFE	Two-Way Fixed Effects
UN	United Nations

1. Introduction

1.1. Background and Research Problem

When Francis Fukuyama declared the ideological victory of liberal democracy in the early 1990s in his book *The End of History and the Last Man*, he portrayed a milestone in which liberal markets and democracy, following the end of the Cold War, had reached the final form of human social organization. Rival systems could no longer compete with Western liberalism.[1] Democracy and liberal market economies were expected to gradually spread worldwide, not through coerciveness, but through their inherent appeal. The liberal order was seen as globally irresistible, charting the course for humanity's future.[2]

Three decades later, this optimism has faded considerably. Liberal democracy is no longer on the offensive but in clear retreat, overshadowed by what previously democracies s as a "third wave of autocratization".[3] According to the 2025 V-Dem Democracy Report, only 12% of the world's population now lives in countries classified as liberal democracies, the lowest amount in over half a century.[4] At the same time, more people live under autocratic regimes than democratic ones. Since 2010, the number of countries undergoing autocratization has risen sharply, peaking at 48 countries in 2021.[5] Even previously stable democracies such as the United States, India, and Israel have displayed democratic backsliding in basic rights of society.[6] Similar findings are corroborated by Freedom House's 2025 report, which confirms a global downward trend in democracy, unmatched in the post-cold war era.[7]

In the United States, under the second Trump administration, liberal democratic norms and institutions are increasingly challenged, for example, through the removal of diversity, equity, and inclusion (DEI) programs in federal agencies.[8] Simultaneously Populism has bolstered nationalist forces elsewhere, with Viktor Orbán's Hungary

[1] F, Fukuyama. (1992). *The end of history and the last man*. Free Press, pp. Xi, 40, 45, 51.
[2] Ibid, pp. 45–47.
[3] A, Lührmann. S, I, Lindberg. (2019). A third wave of autocratization is here: What is new about it? *Democratization, 26*(7), pp. 1095.
[4] V-Dem Institute. (2025). *Democracy Report 2025: 25 years of autocratization – Democracy trumped?* University of Gothenburg, pp. 15. https://www.v-dem.net/documents/61/v-dem-dr__2025_lowres_v2.pdf
[5] Ibid, pp. 15, 20.
[6] Ibid, pp. 11, 16, 20.
[7] Freedom House. (2025). Freedom in the world 2025: The mounting damage of democratic erosion, pp. 1. https://freedomhouse.org/sites/default/files/2025-03/FITW_World2025digitalN.pdf
[8] Leadership Conference on Civil and Human Rights. (2025). Trump's executive orders on diversity, equity, and inclusion, explained. https://civilrights.org/resource/anti-deia-eos/

openly championing so-called “illiberal democracy” while frequently undermining the rights of asylum seekers and LGBTQ+ communities.[9]

Efforts to counter democratic erosion have frequently faced increased backlash. Both domestically and internationally, Western democratization initiatives are often viewed as a misuse of taxpayer money, politically motivated interventions or even as neocolonialism.[10]

Against this backdrop, the need for effective defence of liberal values has become increasingly urgent. As the United States, formerly the primary global champion of liberal democracy, undermines its normative legitimacy and multilateralism, the European Union (EU) emerges as one of the few remaining actors consistently emphasizing values of democracy, the rule of law, and human rights. The EU’s role as a global normative actor has therefore gained increased relevance, not merely as a regional power, but as a counterforce to the current global authoritarian wave.[11] Yet for this ambition to become a reality, democracy promotion must be both effective in practice and capable of avoiding critical backlash.

Despite clear ambitions, Western democracy promotion has encountered challenges, both within the normative ideal and as a field of research.[12] Too often, democracy support has been designed according to donors’ normative ideals rather than through context-specific assessment.[13] This knowledge gap is also rooted in shortcomings within the research field of democracy promotion. Research shows that support for democracy is often grounded in a normative logic, “it is done because it is right” rather than in a systematic effort to measure actual outcome.[14] Consequently, there is a weak evaluation culture in which negative results are underreported, and knowledge does not accumulate over time.[15] Therefore the field is dominated by uncertainty rather than evidence where policies have shown to be supported by principle rather than on verified outcomes.

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[9] D, A, De Groot. (2025). Hungary’s ban on Pride (EPRS_ATA(2025)769565). European Parliamentary Research Service. https://www.europarl.europa.eu/RegData/etudes/ATAG/2025/769565/EPRS_ATA(2025)769565_EN.pdf

[10] J, Leininger. S, Richter. (2023). From democracy promotion to democracy protection. In D. Caramani (Ed.), Comparative politics (6th ed., pp. 476-494). Oxford: Oxford University Press, pp. 3-4. Thomas, Carothers. (2006). The backlash against democracy promotion. Foreign Affairs, 85(2), pp. 57–59.

[11] A, Lührmann. S, I, Lindberg. (2019), pp. 1095.

[12] J, Leininger. A, von Schiller. (2024). What works in democracy support? How to fill evidence and usability gaps through evaluation. Evaluation, 30(1), pp. 11.

[13] T, Carothers. (2006), pp. 64.

[14] J, Leininger. A, von Schiller. (2024), pp. 11.
S, Dodsworth. N, Cheeseman. (2018), Ten Challenges in Democracy Support – and How to Overcome them. Glob Policy, pp. 307.

[15] S, Dodsworth. N, Cheeseman. (2018), pp. 307.
J, Leininger. A, von Schiller. (2024), pp. 11-12.

Within the field, three overarching theoretical models have emerged as central analytical frameworks; *leverage*, *linkage*, and *good governance*. [16] These models offer broad perspectives for understanding the mechanisms behind democracy promotion. Leverage refers to conditionality and incentives. Linkage examines transnational ties. Good governance focuses on democratic governance targeting domestic institutional capacity, rule of law, and bureaucratic integrity.[17] These models are frequently used within democracy promotion research to outline strategies and identify favourable conditions for democratization.

This study takes its starting point from these models. It aims to examine whether these three models can conceptualize changes in liberal democracy in participating countries of the EU's aid instrument for developing countries: *the Generalized Scheme of Preferences Plus* (GSP+). In short, GSP+ grants duty-free access to the EU's internal market on the condition that countries ratify 27 UN core conventions.[18] By triangulating Synthetic control method (SCM) and panel regressions with Temporal trend comparison, the study tests whether a global applicable strategy for promoting democracy, can demonstrate an observable empirical impact.

Considering the current wave of autocratization, Fukuyama's once-confident vision of liberal democracy's inevitable victory is increasingly called into question. The key question is not whether democracy should be promoted, but how it can be done more effectively, with legitimate tools and measurable impact. *GSP+*, in combination with the democracy promotion models (DPM's) — *leverage, linkage*, and *good governance*, offers a unique opportunity to investigate this question. By using these models as a theoretical framework alongside an ambitious methodological design, this study explores whether, and for what reason, the EU's GSP+ program contributes to liberal democracy across its recipient countries. Therefore, the research question is as follows:

- *Does the EU's GSP+ program contribute to liberal democratization in beneficiary countries?*

1.2. Contributions

This study outlines two contributions to the research field on the EU's external democracy promotion:

First, the study introduces a comprehensive theoretical framework by jointly applying all three major DPM's—*linkage, leverage,* and *good governance*. While these often

[16] S, Lavenex. F, Schimmelfennig, F. (2011). EU democracy promotion in the neighbourhood: from leverage to governance? Democratization, 18(4), pp. 889-890.
[17] Ibid, pp. 890-898.
[18] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 7, 15. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.

have been explored individually or in a combined setup, they have, to my knowledge, never been integrated into a single analytical framework, particularly in studies of quantitative methodology. Here, the study attempts to advance the field by constructing original index variables for each model, these are informed and operationalized according to the democracy promotion theory. This allows the study to perform a temporal and systematic comparative assessment of their individual and combined effects on liberal democratization in the context of GSP+.

Secondly, by examining the EU's GSP+ program, an instrument with underexplored yet significant potential for incentivizing democracy promotion, the study attempts to shift the dominant academic perspective from the EU's democracy promotion capabilities in its immediate neighbourhood to a more global context.

1.3. Thesis Structure

The study is organized into seven main sections. First, it begins with an introduction to the background, defining problems within democracy promotion and of liberal democracy, followed by the main research question. After this the study's main contributions to the research field are presented.

The next section introduces the theoretical framework, where the concepts of democracy and democracy promotion are conceptualized and defined both in general terms and within a European democracy promotion context. The three DPM's are introduced as the main theoretical mechanism followed by how these can be operationalized through GSP+. The theoretical section concludes with the presentation of the study's 4 hypotheses.

The methodology chapter details the study's research design, sampling, limitations, data sources, and index construction/operationalization of the independent variables. This is followed by the operationalization of the statistical methods employed: SCM, panel regressions and Temporal trend comparison. The chapter ends with a discussion of internal and external validity and model diagnostics checks.

The results chapter presents the findings systematically, beginning with the synthetic control results for each country, supported by corresponding tables, followed by the regression results, and concluding with an overview of temporal trend comparison.

The findings are then interpreted and analysed in relation to the study's 4 hypotheses. Hypotheses **H4**–**H2** are addressed first, focusing on theory conformity and the relationship between the DPM's and liberal democracy. Next, the results of the causality of GSP+ on liberal democracy (**H1**) is analysed and contextualized through the temporal trend comparison, integrating the three DPM's.

The thesis concludes with a summary of the study's main findings and a reflection of encountered implications and limitations. Followed by suggestions for how future research can build upon the contributions of this study.

2. Theoretical Framework

This chapter presents the theoretical framework of the thesis. It begins by introducing the concept of liberal democracy and other regime types. This lays the theoretical groundwork for the following section, which addresses democracy promotion, first by conceptualizing the dimensions of democracy promotion and then by positioning it within the context of the EU's external democracy promotion. The study's primary theoretical framework, *linkage, leverage*, and *good governance* is then introduced. Here, the model's attributes are demonstrated within the framework of the EU's democracy promotion, followed by their operationalization through the GSP+ mechanism, which is simultaneously conceptualized. The chapter then concludes with the topic of contribution and the outlining of the study's 4 hypotheses.

2.1. Conceptualizing Liberal Democracy

The term and concept of democracy originates in the city-states of ancient Greece, where the combination of the terms *demos* (people) and *kratos* (power) referred to the practiced form of direct democracy.[19] In today's world, the concept is globally recognized, almost every regime, even the most repressive autocracies, claims some form of democratic legitimacy as a way of proclaiming representation of its citizens.[20]

In contemporary social science, scholars such as Robert Dahl have described the concept of democracy as a normative ideal, unattainable in its practiced form. This has led to the adoption of alternative regime types that attempt to incorporate democratic ideals in a more realistic context. Dahl introduced the concept of polyarchy, characterized by seven key electoral democratic institutions.[21] Polyarchy and its stipulated institutions enable citizens to influence decision-making and hold their governments accountable.[22] It is the combination of electoral competition and protections for political rights that Dahl refers to as the benchmark for a "near-ideal" democratic regime. As such the idea of polyarchy has become a widely accepted reference point for democratic standards.[23]

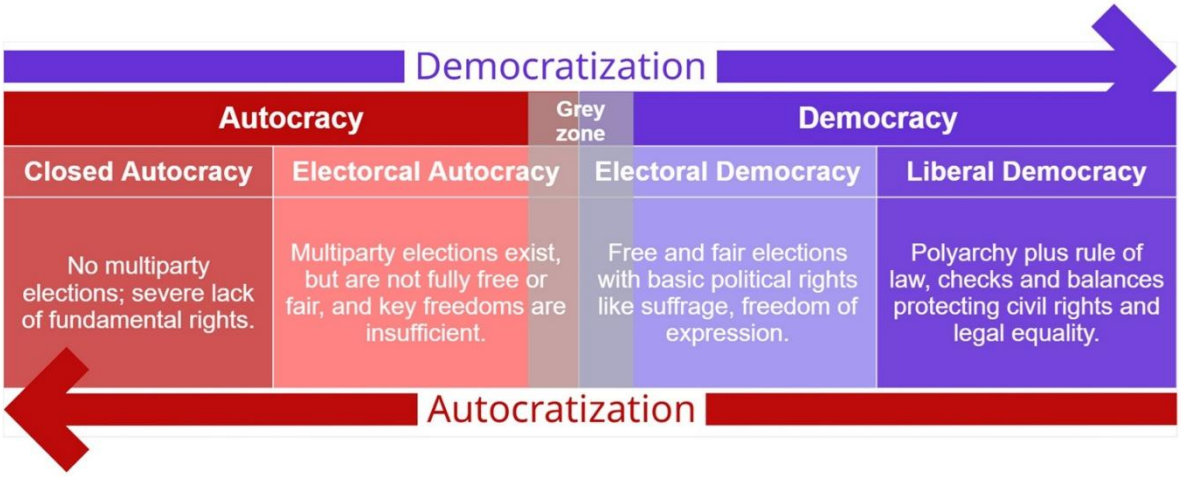
However, this normalization of the polyarchy model has given rise to global challenges. More specifically, how modern authoritarian regimes can formally meet several of Dahl's criteria while at the same time undermining them in practice to maintain control. These regimes hold regular multiparty elections, but the results are predetermined through manipulation. Including, among other, instruments of opposition persecution,

[19] R, A Dahl. (1989). *Democracy and its critics*. Yale University Press, pp. 1, 3.
[20] R, A Dahl. (1989), pp. 2.
[21] R, A Dahl. (1989), pp. 233.
[22] ibid
[23] R, A Dahl. (1989), pp. 233.
A, Lührmann. M, Tannenberg. S, I, Lindberg. (2018). Regimes of the World (RoW): Opening new avenues for the comparative study of political regimes. *Politics and Governance, 6*(1), pp. 62.

suppression of rivalry media.[24] In many cases such transgressions are often justified as serving the majority at the expense of minorities or opposition groups.[25] These types of regimes are often classified as electoral autocracies and act in the grey zone of democracy.[26]

To navigate these aspects, the V-Dem Institute has developed a framework called Regimes of the World (RoW), which classifies regimes into 4 categories (Figure 1).[27]

Figure 1: Regimes of the World - Democratization and Autocratization



Source: V-Dem Institute. (2025). Democracy Report 2025: 25 years of autocratization – Democracy trumped? University of Gothenburg.

The RoW framework displayed in Figure 1 provides an insight into democratization and autocratization processes. Here, the core features of liberal democracy are contrasted with other regime types.[28] This demonstrates that free elections alone cannot guarantee the preservation of democratic norms. Without strong liberal institutions guaranteeing individual rights and liberties, elections can become tools for legitimizing authoritarianism.[29] Thus, awareness of the different regime types, their mechanisms, and the processes of autocratization and democratization are fundamental for engaging in research on democracy promotion.[30]

Liberal democracy, the choice of regime type for this thesis, will hereafter function as the primary reference point for the concept of democracy. Bollen defines liberal democracy as an extension of polyarchy, in his study he operationalizes liberal democracy as ensuring both pluralism and liberal rights, both necessary for a country

[24] Ibid.
[25] A, Lührmann et al. (2018), pp. 63
[26] A, Lührmann. S, I, Lindberg. (2019), pp. 1098–1099.
[27] Ibid.
[28] A, Lührmann. et al. (2018), pp. 62–64.
[29] J, Leininger. (2022). International democracy promotion in times of autocratization: From supporting to protecting democracy (IDOS Discussion Paper 21/2022). Bonn: German Institute of Development and Sustainability (IDOS), pp. 5-8
[30] J, Leininger. S, Richter. (2023), pp. 1.

to be considered a liberal democracy.[31] Without these institutional guarantees, majority rule can transform into tyranny, leaving the opposition, press, and minorities vulnerable to abuse.[32]

For the European Union, this liberal foundation is central to its external democracy promotion. The EU's external activities are not limited to development and reinforcing electoral transparency, but also include the promotion and protection of rule of law, good governance and human rights.[33] By investigating EU's democracy promotion in the context of liberal democracy, rather than electoral, this thesis attempts to create an understanding of how the EU uses conditionality, trans-institutional and transnational exchanges, along with development aid to externalize institutions that promotes and protects liberal democracy, particularly in a global context where liberal democracies are increasingly in the minority.[34]

2.2. Conceptualizing Democracy Promotion and Previous Research

In the academic field, democracy promotion is generally framed as an action initiated by an actor, mainly a state, international organization, or non-governmental organization (NGO), with the intention of promoting or protecting democracy in a third country.[35] As observed by Leininger and Richter, the term 'democracy promotion' has come to function as a "catch-all" method that includes a broad range of objectives and strategies, including both peaceful and coercive approaches.[36] This broad conceptual usage makes it challenging to systematically operationalize theoretically and to measure empirically, an issue this chapter will explore further.

Leininger and Richter demonstrate how democracy promotion undertakings are divided into two sub-types: *democracy protection* and *democracy support*. The former involves actions at the regime level to offset autocratization, either by using instruments of coercion or cooperation, while the latter focuses more on supporting democratization through international cooperation alone.[37] This study adopts an increased perspective towards democracy support.

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[31] K, Bollen. (1993). Liberal democracy: Validity and method factors in cross-national measures. *American Journal of Political Science, 37*(4), pp. 1208–1209.
[32] A, Lührmann. et al. (2018), pp. 63.
[33] European Union. (2012). Charter of Fundamental Rights of the European Union (2012/C 326/02). Official Journal of the European Union, C 326, 391–407. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012P/TXT
[34] V-Dem Institute. (2025). *Democracy Report 2025: 25 years of autocratization – Democracy trumped?* University of Gothenburg, pp. 6. https://www.v-dem.net/documents/61/v-dem-dr__2025_lowres_v2.pdf
L, Diamond. (2002). Elections without democracy: Thinking about hybrid regimes. *Journal of Democracy, 13*(2), pp. 23, 33.
[35] J, Leininger. (2022), pp 4.
[36] J, Leininger. S, Richter. (2023), pp. 4-6.
[37] ibid, pp. 5.

Democracy promotion activity is influenced and shaped by three continuously overlapping rationales (see Appendix A, Figure 2 for illustration of the interconnectedness of the rationales):[38]

- *Cross-disciplinary* connections, relying on academic fields such as international relations, comparative politics, economics, and development aid.
- *Heterogeneous* understandings of democracy and thus democracy promotion. Conflicting assumptions about how regimes operate and can be influenced. Whether through initiatives at the top-down (macro-level), trans-institutional (meso-level), or bottom-up (micro-level).
- *Strategic choices* about how democracy should be promoted and to what extent.

As highlighted under (1), democracy promotion initiatives has historically relied on classical theoretical approaches such as modernization theory and structuralist development, which suggest that rising levels of education and wealth among the lower and middle classes transfers into increased urbanization and cosmopolitan ideals.[39] Here, Burnell propose that modernization may empower the middle class to challenge structural reliance and norms that weaken democratic institutions.[40] Moreover, Hobson discusses how constructivist theory plays a growing role in democracy promotion. Where international organizations like the UN, EU, and World Trade Organization (WTO) deploys multilateral agreements to distribute, legitimize, and normalize pratices of liberal norms and institutions.[41] However, as Leininger and Richter highlights, the constructivist approach has become less prominent with the rise of authoritarian power blocs like Russia and China that challenge the liberal international order at every turn.[42] In this context, the inherent complexity and conflict around democracy, combined with the mentioned overlapping rationales, makes democracy promotion particularly challenging. This is further emphasized by Grimm and Leininger, who argues that conflict among academics and policy-developers within the field, leads to ineffective democracy promotion interventions and inadequate research.[43]

To navigate this complexity, Leininger and Richter suggest defining democracy promotion efforts into two broad approaches: *intrinsic* and *instrumental*. These are summarized in Table 1 (For a detailed description of these two approaches, see Appendix A).[44]

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[38] Ibid.
J, Leininger. A, von Schiller (2023), pp. 12
[39] R, M, Gisselquist. M, Niño-Zarazúa. M, Samarin (2021). *Does aid support democracy? A systematic review of the literature* (WIDER Working Paper No. 2021/14). United Nations University World Institute for Development Economics Research, pp. 4.
[40] Ibid.
P, Burnell. (Ed.). (2000). Democracy assistance: International co-operation for democratization. Frank Cass Publishers. (Reprinted by Routledge, 2013), pp. 44-45.
[41] C, Hobson. (2012). The Conceptual Politics of Democracy Promotion. Taylor and Francis, pp 38.
[42] S, Grimm. and J, Leininger. (2012) Not all good things go together: conflicting objectives in democracy promotion, Democratization, 19:3, pp. 392-393.
[43] Ibid.
[44] J, Leininger. S, Richter. (2023), pp. 7-8.

Table 1: Two Approaches to Democracy Promotion.

	The Intrinsic approach	The Instrumental approach
Motivation:	Normative foundation	Functional foundation
Objective:	Spread democracy	Peace, development, justice, integration
Rationale:	Democracy as a value in itself	Democracy to achieve other policy goals
Focus:	Support core democratic institutions	Democracy promotion as a secondary policy

Note: There is no strict divide between these approaches. Approaches can overlap.
Source: J, Leininger. S, Richter. (2023), pp. 7.

Once a rationale for a democracy promotion effort is established, Burnell proposes two paths for defining the choice of strategy in practice: (1) through positive vs. negative means, and (2) through cooperative vs. coercive means. This is conceptualized in Figure 3, notice how positive measures tend to be cooperative, and negative ones tend to be coercive.[45] Below is a descriptive overview of how various strategies tend to align with either cooperative or coercive means. It should be emphasized that strategic interventions are not mutually exclusive and are frequently used in combination.[46]

Coercive/negative measures: diplomatic condemnation or persuasion, conditional aid, military intervention, sanctions:

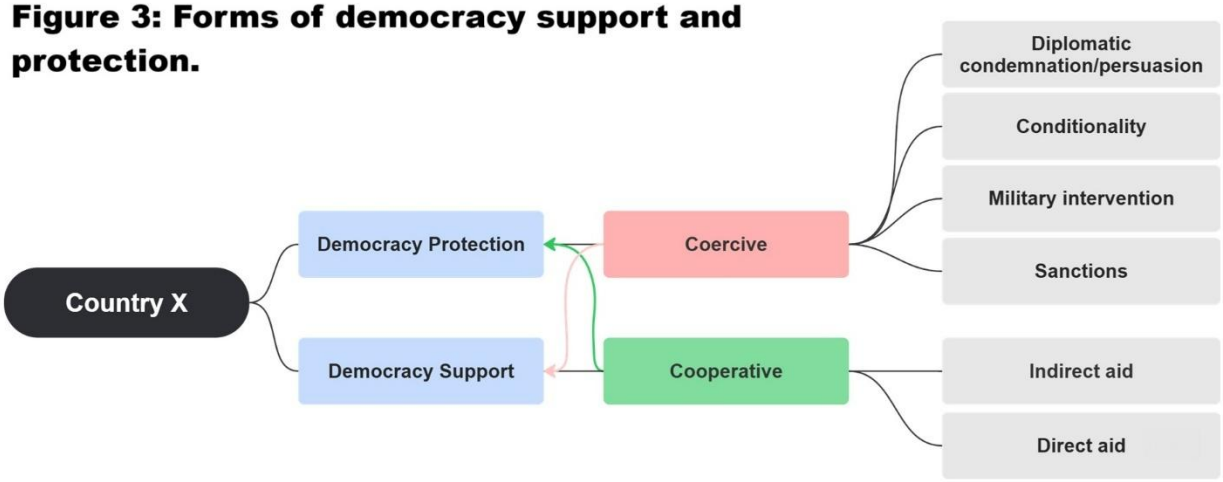
- These are often "quick" actions taken at the political level to create political pressure (top-down) to either adopt or protect democratic values. These strategies are generally more commonly used within the intrinsic approach.[47]

Cooperative/positive measures: indirect support such as development aid provided by donors like the EU to pro-democracy NGOs working with local actors. Direct measures include political dialogue, non-conditional targeted aid, support for democratic institutions, and capacity-building.[48]

- These efforts generally aim to facilitate democracy norms more gradually on a local level (bottom up), by strengthening local autonomy and increasing civic participation over time, more in line with a developmental logic.[49]

[45] P, Burnell. (Ed.). (2000), pp. 8-9.
[46] Leininger, J. (2024, April 12). *International support and protection of democracy* [Guest lecture]. Varieties of Democracy (V-Dem), University of Gothenburg, in collaboration with IDOS – German Institute of Development and Sustainability.
[47] J, Leininger. S, Richter. (2023), pp. 6-7.
P, Burnell. (2007). From Evaluating Democracy Assistance to Appraising Democracy Promotion. Political Studies, 56(2), 420-421.
[48] S, Grimm. and J, Leininger. (2012) Not all good things go together: conflicting objectives in democracy promotion, Democratization, 19:3, pp. 396.
J, Leininger. S, Richter. (2023), pp. 6-7.
[49] P, Burnell. (2007). From Evaluating Democracy Assistance to Appraising Democracy Promotion. Political Studies, 56(2), pp. 417-418.

Figure 3: Forms of democracy support and protection.



Note: There is no strict divide between Coercive and Cooperative strategies. Strategies can overlap.
Source: J, Leininger. (2022). International democracy promotion in times of autocratization: From supporting to protecting democracy.

2.2.1. European Democracy Promotion

The idea of the EU as a global advocate of human rights and democracy has been at the core of its identity since its formation. However, it wasn't until the 1990s, with the Maastricht Treaty in 1993, that the EU took constitutional steps to reform and coordinate its foreign policy under what became the Common Foreign and Security Policy (CFSP).[50] The CFSP was designated to promote a foreign policy influenced on the union's core principles; human rights, equality, democracy, and the rule of law.

The Maastricht Treaty strengthened the EU's initiation capacity to coordinate democracy promotion efforts and human rights through EU's external instruments.[51] This foreign policy was later integrated further by the Lisbon Treaty of 2009, which strengthened both intergovernmental coordination and transnational institutions with the establishing the European External Action Service (EEAS). This reinforced EU's ability to pursue common interests for advancing its values and interests globally.[52] Examples of this integration involve joint policy documents like the *EU Action Plan on Human Rights and Democracy*, the European Neighbourhood Policy (ENP), and the *EU Global Strategy* (EUGS). These joint action plans are just a few examples demonstrating the EU's commitment to promote and protect human rights and democratic values.[53]

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[50] European Union. *The Maastricht Treaty on the European Union*. https://eur-lex.europa.eu/legal-content/SV/TXT/?uri=LEGISSUM:xy0026
[51] Ibid.
[52] European Parliament. *The Common Security and Defense Policy*. https://www.europarl.europa.eu/factsheets/sv/sheet/159/den-gemensamma-sakerhets-och-forsvarspolitiken
[53] European Commission, Joint communication: Review of the European Neighbourhood Policy, pp. 5–6. https://neighbourhood-enlargement.ec.europa.eu/document/download/d4027423-cdae-4f4d-b542-cfd5d04fe826_en.

Despite the consolidation of the CFSP and the formation of the EEAS, foreign policy competences within the EU remain divided between intergovernmental and supranational institutions. These are briefly summarized below. For a more detailed illustration of the EU's institutional structure in relation to foreign policy and democracy promotion, see Appendix A Figure 4.

- *Intergovernmental competences* include the Council of Ministers (particularly the Foreign Affairs Council; FAC) coordinated by the High Representative for Foreign Affairs and Security Policy, who leads the EEAS.[54] Administers more coercive tools.
- *Supranational competences* lie with the EEAS and the European Commission's Directorate-General for Trade, and Directorate-General for International Partnerships, partly responsible for development policy.[55] Administers more cooperative tools.

This divergence in competences represents a challenge to broad and effective EU democracy promotion, as this requires coordination and negotiation between intergovernmental and supranational levels. Given the range of member states, divergent political interests, and the multifaceted complexity of democracy promotion discussed earlier, advancing such instruments proves challenging.

To facilitate this problem, the EU has adopted the concept of *Policy Coherence for Development* (PCD), with the purpose of advancing a more holistic approach across various EU legislative bodies involved in foreign policy.[56] PCD is only applicable when policy is targeting developing countries.[57] The PCD concept emphasises the idea that EU foreign policy should not only exhibit internal market gains or self-interest, but also reconcile with the EU's core values, facilitating policy more commonly referred to as *non-trade policy objectives*.[58] A key example of this concept is EU's practise of

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European Commission. (2020). EU action plan for human rights and democracy 2020-2024. https://eur-lex.europa.eu/legal-content/SV/TXT/HTML/?uri=CELEX:52020JC0005andfrom=EN.
European External Action Service. (2016). *The European Union Global Strategy: Three years on, looking forward*, 2016, pp. 5-6.https://www.eeas.europa.eu/sites/default/files/eugs_review_web_0.pdf.

[54] European Union. Foreign and security policy. https://european-union.europa.eu/priorities-and-actions/actions-topic/foreign-and-security-policy_en.
Council of the European Union. (2010). *Draft Council decision establishing the organization and functioning of the European External Action Service* (Document 8029/10). https://data.consilium.europa.eu/doc/document/ST%208029%202010%20INIT/EN/pdf

[55] European Commission. Directorate-General for International Partnerships (DG INTPA). South-South Galaxy. https://southsouth-galaxy.org/organizations/detail/european-commission-directorate-general-for-international-partnerships-dg-intpa/
European Commission. Making trade policy. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/making-trade-policy_en

[56] European Commission. Policy coherence for development. https://international-partnerships.ec.europa.eu/policies/european-development-policy/policy-coherence-development_en

[57] Ibid.

[58] M, Carbone. (2008). Mission impossible: The European Union and policy coherence for development. *European Integration, 30*(3), pp. 327, 339.
J, Orbie. H, Versluys. (2006). Recent evolutions in European Union development aid: More Europe, more aid, less development? *Studia Diplomatica, 59*(4), pp. 30.

including *essential elements clauses* in all of its external bilateral agreements. These clauses allow the EU to temporarily suspend agreements in cases of serious human rights violations or breaches of core democratic principles by the partner country.[59]

The EU has access to a broad arsenal of tools for promoting democracy globally, including diplomatic dialogue and political engagement, to financial and market incentives, development partnerships, trade preferences, technical and governance assistance.[60] As demonstrated by Lavenex and Schimmelfennig, these tools can be deployed for an *intrinsic* and *instrumental* purpose using *cooperative* or *coercive* strategies. With its adopted role as a normative actor, the EU has avoided strategies involving military coercion but does not refrain from deploying tools of negative conditionality, suspending market benefits.[61]

To investigate how mechanism of democracy promotion is designed and implemented, researchers in the field has frequently adopted one of the three theoretical DPM's: *linkage, leverage,* and *good governance*. The models provide a conceptual and theoretical framework to enhance sectorial understanding of EU's direct and indirect democracy promotion strategies; Table 2 offers a summary of the model's structural attributes.

Table 2: Three models of democracy promotion.

	Linkage	**Leverage**	**Good Governance**
Target:	Micro	Macro	Meso
Outcome:	Democratic society	Democratic institutions	Democratic governance
Channel:	Transnational	Intergovernmental	Transgovernmental
Instruments:	Externalization of norms	Conditionality	Conditionality/Norm adoption

Note: Structural and operational definition of the DPM's.
Source: S, Lavenex. F, Schimmelfennig (2011), pp. 890.

In the following three sub-chapters the DPM's will be discussed in depth and conceptualized through of EU's democracy promotion efforts.

I, Borchert. P, Conconi. M, Di Ubaldo. C, Herghelegiu. (2021). The pursuit of non-trade policy objectives in EU trade policy. *World Trade Review, 20*(5), pp, 624.

[59] I, Zamfir. (2019). Human rights in EU trade agreements: The human rights clause and its application (EPRS Briefing PE 637.975). European Parliamentary Research Service. https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637975/EPRS_BRI(2019)637975_EN.pdf

[60] I, Zamfir. (2021). *Support for democracy through EU external policy: New tools for growing challenges* (PE 689.344). European Parliamentary Research Service, pp. 4-9. https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689344/EPRS_BRI(2021)689344_EN.pdf

[61] S, Lavenex. F, Schimmelfennig (2011), pp. 889.

Linkage Model - Transnational Democratization

The linkage model provides a perspective of how transnational exchanges between the EU and third countries at the *micro* and *meso* levels contribute to democracy. Levitsky and Way frame linkage exchanges within five main dimensions: economic, geopolitical, social, communication, and transnational civil society.[62] In reality, the EU's ability to promote linkage across all of these dimensions is limited at a *micro* level; its efforts generally revolve around providing economical and technical assistance to civil society organizations, opposition movements, independent media, and local actors that promote democracy and liberal values.[63] The central idea of linkage is that integrated transnational relations, with frequent economic, social, institutional, and political exchanges between the EU and third countries can gradually advance democratic norms.[64] Generally such ties are facilitated by historical and cultural ties, often, an outcome of geographical distance.[65] A clear example of linkage cultivation is EU's *European Instrument for Democracy and Human Rights* (EIDHR), operates at the local level to support to human rights advocates and civil society organizations in partner countries. This instrument exemplifies the EU's global engagement through linkage-based strategies.[66]

Within the European neighbourhood, linkage is demonstrated through the *European Neighbourhood Policy* (ENP), which emphasizes the importance of transnational exchanges between local actors of partner countries and EU businesses and citizens, thereby stimulating democratic norm diffusion.[67] Moreover, EU's joint action plan; *EU Action Plan on Human Rights and Democracy 2015–2019* incorporates linkage through advocation of strong local ownership and EU cooperation with local institutions, along with consistent aid to civil society actors.[68] Such initiatives align with Way and Levitsky's assertion that long-term transnational exchanges gradually increase democratic norms.[69] In reality, this process is facilitated by asymmetrical relations, in which daily exposure to the EU's liberal norms and democratic institutions indirectly brings members of partner countries closer to the standards and norms of the EU society, thereby consolidating linkages.[70] Research by Lavenex and Schimmelfennig suggests that while the impact of linkage has varied globally, it has shown particular

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[62] S, Levitsky. L, A, Way. (2006). Linkage versus leverage: Rethinking the international dimension of regime change. *Comparative Politics, 38*(4), pp. 383-384.
[63] S, Lavenex. F, Schimmelfennig (2011), pp. 887, 891
[64] S, Levitsky. L, A, Way. (2006), pp. 379.
S, Lavenex. F, Schimmelfennig (2011), pp. 891–892.
[65] Ibid, pp. 383–384.
T, Kyritsis. L, J, Matthews. D, Welch. Q,D, Atkinson. (2022). Shared cultural ancestry predicts the global diffusion of democracy. *Evolutionary Human Sciences*, pp. 13-15.
[66] European Commission. (2018). *European Instrument for Democracy and Human Rights Multiannual Indicative Programme (2018–2020), pp. 7-8.*
https://enlargement.ec.europa.eu/document/download/c9498763-4f9c-4d94-97a2-07fbaca89367_pt
[67] European External Action Service. (2021). European Neighbourhood Policy.
https://www.eeas.europa.eu/eeas/european-neighbourhood-policy_en
[68] European Union. (2015). *EU Action Plan on Human Rights and Democracy (2015–2019),* pp. 5-6.
https://eur-lex.europa.eu/legal-content/SV/TXT/PDF/?uri=CELEX:52015JC0016
[69] S, Levitsky. L, A, Way. (2006). pp. 383-384.
[70] Ibid, pp. 383–385.

effectiveness in regions like North Africa, Eastern Europe, and Central America. These regions have historically had close ties to the European continent. Here linkage, especially when combined with leverage, has proven to be an effective tool of EU's democracy promotion.[71] The efficiency of EU's linkage is improved with geographical proximity between the countries. This is not only because proximity facilitates transnational interaction, but also, as Bosone and Stamato argues, EU's influence tends to grow in countries closer to Europe, while the influence of external rival powers diminishes.[72]

The EU's market power plays an indirect role in facilitating linkage. Through trade agreements and economic partnerships, transnational exchanges are encouraged. In many industrial sectors, companies in third countries are required to adopt EU product standards and bureaucratic norms to gain EU market access. Such alignments further substantiate linkage between societies.[73]

Linkage capability to connect, engage and empower society at a micro level, create what Levitsky and Way highlights; a more involved citizens who place greater emphasis on democratic reform and protection.[74] If EU linkage is strong, it can reshape domestic conditions in ways that undermine authoritarian regimes or consolidate democratic once.[75] Moreover, as Kahn-Nisser demonstrates, linkage operates in both directions. While this thesis discusses how the EU facilitates linkage toward third countries, less attention has been given on how third country societies with increased linkage engage EU society. In cases of strong linkage, these reverse relations may engage EU citizens, organizations, media, and corporations to demand EU politicians to respond to democratic backsliding.[76]

However, the empirical reality of linkage is more ambiguous. As argued by Lavenex and Schimmelfennig, how linkage on its own has often proven inadequate to promote democratic normalization. While support to civil society and opposition groups is normatively valuable, it may prove insufficient in displacing norms propagated by a consolidated authoritarian regime.[77] In many cases authoritarian regimes have learned how to undermine civil opposition by passing restrictive laws, harassing activists and media. Therefore, linkage emphasis on bottom-up empowering can have limited effect

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[71] S, Lavenex. F, Schimmelfennig (2011), pp. 886–887.
[72] C, Bosone. G, Stamato. (2024). Beyond borders: How geopolitics is reshaping trade (ECB Working Paper No. 2960). European Central Bank, pp. 2. https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2960~6c3cc5e5b0.en.pdf
[73] S, Lavenex. F, Schimmelfennig (2011), pp. 891-892.
S, Keukeleire. T, Delreux. (2022). The Foreign Policy of the European Union (3rd ed.). Bloomsbury UK, pp 225.

[74] S, Levitsky. L, A, Way. (2006). pp. 385
[75] Ibid.
[76] Sara Kahn-Nisser (2018) Linkage leverage democratization and liberalization: is promoting democracy the same as promoting human rights? Policy Studies, 39:1, pp. 92-93.
[77] S, Lavenex. F, Schimmelfennig (2011), pp. 891-892, 885.

in an authoritarian environment.[78] Still, this does not mean linkage is without value. Over the long term, it can indirectly help to spread democratic values and prepare society for democratic transition.

Leverage Model - Political Conditionality

The leverage model emphasizes how the EU can use its integrational and market strength, and political influence to leverage conditionality on third countries motivated by EU's toolbox of benefits. The idea for leverage as a democracy promotion instrument, which differentiates it from linkage, is that incentives-based leverage translates into top-down political pressure, which raises the cost of autocratization and can motivate political elites to implement democratic reforms or adopt EU standards.[79] Way and Levitsky identify three key factors that shape the effectiveness of leverage:

- *Asymmetrical power* - Countries with increased economic and military capability have more influence over weaker countries.
- *Lack of Internal unity* - If there is no internal consensus how leverage should be conditioned (as is often the case within the EU), the effects may be weakened.
- *Geopolitical competition* - EU leverage does not exist in a vacuum. Competing global actors, like China can offer alternative incentives with less conditionality, undermining EU's reach, for example through initiatives like the Belt and Road.[80]

Leverage can be structured as either *positive* or *negative* conditionality. Positive conditionality refers to the benefits received from EU membership or GSP+ participation, provided if conditionality criteria are meet.[81] While negative conditionality incorporates diplomatic or economic sanctions or the suspension of benefits in response to violations of human rights or democratic principles.[82]

Historically, the EU's enlargement policy, with the leveraging of EU membership, has within the research field frequently been described as one of the best examples for leverage as a democracy promotion tool.[83] In 1993, after the Cold War, EU enlargement policy was restructured with the *Copenhagen Criteria*, which explicitly stated that liberal guarantees was a requirement for beginning membership negotiations.[84] EU membership provided strong incentives for the post-soviet countries to democratize by adopting the EU acquis. For these states, EU membership

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[78] S, Dodsworth. N, Cheeseman. (2018), pp. 303.
D, Chen. K, Kinzelbach (2015) Democracy promotion and China: blocker or bystander? Democratization, 22:3, pp. 402-403.
[79] S, Lavenex. F, Schimmelfennig (2011), pp. 892-893.
S, Levitsky. L, A, Way. (2006). pp. 383.
[80] L, A Way. S, Levitsky. (2007). Linkage, leverage, and the post-communist divide. *East European Politics and Societies*, 21(1), pp, 50-51.
A, Castaldo. (2020). External Democracy Promotion in Time of Democratic Crisis: Linkage, Leverage, and Domestic Actors' Diversionary Behaviours. East European Politics and Societies, 36(1), pp. 100.
[81] S, Levitsky. L, A, Way. (2006). pp. 382-383.
[82] Ibid.
[83] S, Lavenex. F, Schimmelfennig (2011), pp. 892-893.
[84] Ibid, pp. 886.
F, Schimmelfennig. U, Sedelmeier (2004) Governance by conditionality: EU rule transfer to the candidate countries of Central and Eastern Europe, Journal of European Public Policy, 11:4, pp. 662.

represented not only access to the EU's investments and market but also a way to legitimize their post-Soviet national identities.[85] Democracy promotion research presented by Lavenex, Schimmelfennig, and Leininger demonstrates that this form of conditionality creates powerful reform incentives.[86]

However, Schimmelfennig and Scholtz also points out that, outside of the EU enlargement framework, leverage has demonstrated more mixed effect, where EU conditionality alone tends to have limited impact on democratization.[87] Nevertheless, exceptions exist. For instance, Dodsworth and Cheeseman showcase that in Myanmar, the military junta's partial liberalization was partly driven by a desire to see sanctions removed. Demonstrating that coercive instruments have the potential to influence authoritarian regimes to liberalization under the right conditions.[88]

In the EU's broader neighbourhood, beyond potential candidate countries, leverage can be witnessed through the ENP's "more for more" principle, where, the more democratic reforms a neighbourhood country implement, the more EU benefits it can access.[89] Including increasingly integrated trade benefits, visa liberalization, and financial assistance.[90] Another key leverage mechanism is the EU's essential elements clauses, incorporated in most of EU's international agreements. The clause allows the EU to temporarily suspend international agreements if the partner country commits serious violations of democratic or human rights standards.[91] In reality, however, Schimmelfennig points out that the EU has made selective use of this mechanism and, at times, even ignored it, especially in cases where violations are committed in the context of stability, migration, or security in the neighbourhood.[92] Such indulgence demonstrate the pragmatic side of EU's foreign policy, where democratic promotion may take less priority over other policy interests. As Lynch points out, this has been evident in the EU's reluctance to respond to human rights violations in neighbouring countries like Turkey and others in North Africa.[93]

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[85] Ibid, pp. 886-887, 893.
[86] S, Lavenex. F, Schimmelfennig (2011), pp. 896-897.
J, Leininger. S, Richter. (2023), pp. 11.
[87] S, Lavenex. F, Schimmelfennig (2011), pp. 887.
F, Schimmelfennig. H, Scholtz. (2008). EU democracy promotion in the European neighbourhood: Political conditionality, economic development and transnational exchange. *European Union Politics, 9*(2), pp. 207, 211.

[88] S, Dodsworth. N, Cheeseman. (2018), pp. 301.
[89] European Commission. (2013, March 19). European Neighbourhood Policy (ENP) – Fact Sheet (Memo 13/236). https://ec.europa.eu/commission/presscorner/detail/en/memo_13_236
[90] Ibid.
[91] I, Zamfir. (2019). Human rights in EU trade agreements: The human rights clause and its application (EPRS Briefing PE 637.975). European Parliamentary Research Service. https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637975/EPRS_BRI(2019)637975_EN.pdf
S, Lavenex. F, Schimmelfennig (2011), pp. 889.
[92] S, Lavenex. F, Schimmelfennig (2011), pp. 898.
F, Schimmelfennig. H, Scholtz. (2008), pp. 190.

[93] J, Lynch. (2021). Part of the problem: A better European approach to human rights in the Middle East and North Africa. *European Council on Foreign Relations*. https://ecfr.eu/special/mena-human-rights/

Beyond the prospect of EU membership, access to the EU's internal market is perhaps the most important leverage instrument that EU has in its democracy promotion toolbox.[94] However, the effectiveness of this method is determined by the extent to which a third country relies on export to the EU.[95]

Good governance Model - Institutional capacity and norm diffusion

The concept of governance refers to the formal and informal processes and structures through which decisions are made and implemented. It focuses primarily on the actors, rules, and norms that shape national and international institutions.[96] The added integration of "good" governance refers to how the decision-making and implementation processes incorporate principles such as equality in participation, consensus orientation, accountability, transparency, effectiveness, justice, and adherence to the rule of law.[97] Ideally, the adoption of mentioned practices reduces corruption, upholds liberal pratices and promotes institutions that are responsive to citizen's needs, thereby strengthening public trust, whilst also consolidating democratic systems.[98]

The good governance model as a democracy promotion concept emerged in the 2000s, particularly in contexts of, what Lavenex and Schimmelfennig points out, were alternative methods like linkage and conditionality was seen as ineffective.[99] However, the concept of effective governance does not necessarily correlate with the effect of democratization. Rather, in the context of democracy promotion, democratization happens when good governance is institutionalized, which then facilitates the spread of liberal and democratic norms throughout the meso-level.[100]

Grindle interprets governance promotion as a form of functional cooperation among bureaucrats within institutions. In effect, this gradually diffuses democratic norms within public administration.[101] By norm diffusion, or in some cases through conditionality, these liberal norms become transferred into public administration and promotes better governance, including capacity-building, transparency, rule of law, anti-corruption efforts, accountability and administrative autonomy.[102]

Good governance reforms can be introduced both top-down, by exerting pressure on political elites, and bottom-up, through trans-institutional support for bureaucrats and local officials. This positions the good governance model between the conditionality of

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[94] S, Keukeleire. T, Delreux. (2022), pp. 226
[95] L, A Way. S, Levitsky. (2007), pp, 50-51.
[96] United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2009). *What is good governance?* United Nations, pp. 1. https://www.unescap.org/resources/what-good-governance.
[97] Ibid.
[98] Ibid.
[99] S, Lavenex. F, Schimmelfennig (2011), pp. 895-896.
[100] Ibid.
M, S, Grindle. (2007), Good Enough Governance Revisited. Development Policy Review, 25, pp. 556.
[101] M, S, Grindle. (2007), pp. 556.
[102] J, Leininger. S, Richter. (2023), pp. 23.
M, S, Grindle. (2007), pp. 556.

leverage and the self-reinforcing social norm-diffusion of linkage, drawing on effective mechanism from the other DPM's to introduce good governance.[103] Kahn-Nisser adds to this by proposing that top-down governance tends to take a more hierarchical form, where good governance reforms are tied to conditionality. In contrast, bottom-up governance operates through horizontal exchanges between public officials, without formal conditions.[104]

Thus Governance-oriented democracy promotion occurs when third countries are pressured or encouraged, both directly and indirectly, to approximate EU standards in specific policy areas within the public administration and ministries.[105] In exchange, the EU can facilitate this process by providing bureaucratic expertise ranging from technical assistance, capacity-building and meso-partnerships. Furthermore, indirect norm diffusion may also occur through multilateral international organizations heavily, influenced by western liberal standards, where ongoing interactions between EU officials and partner countries can facilitate trans-institutional cooperation.[106]

Previous studies show that the EU's enlargement policy has frequently promoted stronger partnerships between domestic administrations and EU institutions through trans-institutional exchanges, where EU official provide assistance to civil servants in partner countries, by working together to implement the EU acquis.[107] With the ENP, good governance is administered through conditionality promoting anti-corruption measures, transparency and independency of institutions.[108]

The European Commission has demonstrated an increased deployment of governance-based approaches as an alternative for when democratization prospects remain uncertain.[109] Additionally, good governance pratices have been increasingly integrated into the Commissions foreign policy cooperation, as seen with the Directorate General for Development.[110]

Chayes points out how the EU, within the governance development, follows a *management school* approach, which emphasizes using economic and technical support to fill bureaucratic capacity gaps and address problems of non-compliance.[111] This approach is also deployed for strengthening judicial independence, fighting

[103] S, Lavenex. F, Schimmelfennig (2011), pp. 897.
[104] S, Kahn-Nisser (2018), pp. 93.
[105] S, Lavenex. F, Schimmelfennig (2011), pp. 895-896.
[106] S, Kahn-Nisser (2018), pp. 93.
F, Schimmelfennig. U, Sedelmeier (2004), pp. 672, 675.
[107] F, Schimmelfennig. U, Sedelmeier (2004), pp. 672, 675.
T, Freyburg. Et al. (2009), pp. 918.
[108] Ibid, pp. 915-918.
European Commission, Joint communication: Review of the European Neighbourhood Policy, pp. 5-6. https://neighbourhood-enlargement.ec.europa.eu/document/download/d4027423-cdae-4f4d-b542-cfd5d04fe826_en.
[109] T, A, Börzel. Y, Pamuk. A, Stahn. (2008). *Good governance in the European Union* (Berlin Working Paper on European Integration No. 7). Freie Universität Berlin, pp. 20-21.
[110] Ibid, pp. 15.
[111] T, Börzel. Et al (2008). pp. 10.

corruption, and improving administrative capacity.[112] Moreover, the EU has also established *twinning programs*, where EU officials from member states are encouraged to transfer to ministries in Balkan or Eastern European countries to support the implementation of good governance reforms and initiate knowledge exchange.[113]

The governance model represents a new approach to EU democracy promotion. In non-candidate countries, especially in Eastern Europe and North Africa, it has proven useful in promoting liberal reforms at the meso level.[114] Lavenex and Schimmelfennig point out that the model allows the EU to gradually introduce democratic norms without directly confronting authoritarian leaders. At the same time, they also demonstrate how good governance reforms do not always reach the core of authoritarian regimes.[115] For instance, authoritarian regimes may selectively implement aspects of good governance focusing on the capability-enhancing reforms while excluding reforms that promote more liberal governance. Thereby creating a risk that good governance assistance may inadvertently reinforce rather than weaking authoritarian regimes.[116]

Despite these challenges, the general understanding within the democracy promotion research suggests that good governance has greater global reach than mechanism applied through linkage or leverage, primarily because of what has been discussed above, with its ability to operate at the meso-level, beyond the scrutiny of authoritarian regimes.[117]

To summarize, by gradually embedding liberal principles through sectoral conditionality and norm-diffusion within the institutions of third countries, the EU may still be able to promote democratic values in environments where top-down democratization through conditionality is unlikely. In the long run, this can ideally reshape institutional norms and strengthen administrative capacities, thereby enhancing the rule of law and increasing the autonomy of the meso level from authoritarian control. Thus, this effect may occur even in contexts where the EU's top-down pressure is absent due to a lack of leverage, or where weak linkage fails to facilitate democratization or prevent autocratization.

2.3. Challenges and Research Gaps in Democracy Promotion Research

Research on international democracy promotion faces a range of methodological and theoretical challenges. One fundamental issue is the contested nature of the term "democracy" itself. The wide variation in how democracy is understood across different dimensions makes it difficult to define successful outcome, and even harder to

[112] M, S, Grindle. (2007), pp. 556.
[113] European Commission. (2024). *Twinning*. https://enlargement.ec.europa.eu/funding-technical-assistance/twinning_en
[114] S, Lavenex. F, Schimmelfennig (2011), pp. 887.
F, Schimmelfennig. U, Sedelmeier (2004), pp. 675-676.
[115] S, Lavenex. F, Schimmelfennig (2011), pp. 885.
F, Schimmelfennig. U, Sedelmeier (2004), pp. 676.
[116] S, Lavenex. F, Schimmelfennig (2011), pp. 903-904.
[117] S, Lavenex. F, Schimmelfennig (2011), pp. 887–888.

delimitate the measurement for democracy promotion efforts.[118] This is a recurring challenge that divides policymakers and researchers in their conceptualizations of democracy promotion and its underlying purpose.[119] For example, is a observed growth of support for a liberal-minded opposition party enough to count as progress? Or does success require systemic change where the liberal-minded party is consolidated to power? This conceptual ambiguity complicates evaluations. It is hard to measure the effects of democracy promotion efforts when the purpose of the initiative is not properly defined.

Other challenges relate to methodology, particularly the estimation of causality. Democratization is typically a slow and uneven process, problematized by frequent regime change, or where the effects of a given intervention may take years to emerge.[120] Still, as Dodsworth and Cheeseman point out, evaluations are often carried out in proximity to the conclusion of the intervention, which risks missing out on long-term effects.[121] In addition, the institutional upheaval of frequent electoral political change, makes it nearly impossible to clearly attribute democratic progress to one specific intervention.[122]

Even when a democracy promotion initiative is theoretically sound and implemented as planned, isolating its effect is difficult. In most cases, various domestic and international factors shape democratic development simultaneously.[123] For instance, building on the previous example, a liberal opposition party may have gained a strong voter's mandate in a national election, but given all the contemporary factors influencing the voters opinion, it is hard to estimate whether this was due to democracy promotion effort. Nor is the problem alleviated in a context of globalized interconnectedness, where multiple international actors operate within the same space, initiating diverse democracy promotion efforts, while others simultaneously attempt to undermine them.[124]

Without a clear counterfactual scenario, it is almost impossible to know whether observed democratic changes are due to the intervention or would have occurred anyway.[125] Dodsworth and Cheeseman argues that *randomized controlled trials(RCTs)* could, in theory, offer a counterfactual understanding, but note that such methods are rarely used within the research field.[126] In the cases when RCT's are used, they're usually small-scale in a local setting, which makes the results of such study

[118] J, Leininger. A, von Schiller (2023), pp. 14.
[119] R, Gisselquist. M, Niño-Zarazúa. M, Samarin. (2021). *Does aid support democracy? A systematic review of the literature* (WIDER Working Paper 2021/14). UNU-WIDER, pp. 3.
[120] J, Leininger. A, von Schiller (2023), pp. 13.
[121] S, Dodsworth. N, Cheeseman. (2018), pp. 304-306.
[122] Ibid.
[123] Ibid.
[124] Ibid.
[125] Ibid.
[126] Ibid.

problematic to attribute within the complex context of a broader multi-national system.[127]

This issue is also evident in how many studies within the field is delimited to a single level of society, — *macro* (state), *meso* (institutions), or micro (individuals) — without examining how effects impact across levels. [128] Leininger and von Schiller demonstrates how this creates a major "attribution gap," where there's a shortage of knowledge about how top-down and bottom-up democracy promotion incentives interact with each other.[129] Hence, theories of change are often not clearly defined in vertical terms, which weakens the evaluation process. Moreover, the variety of democracy promotion initiatives underscores the need for broad methodological instruments, where contextual understanding of endogeneity is often difficult to capture in depth through quantitative methods alone. This requires researchers to rely on qualitative or mixed-method approaches, which offer valuable empirical insights but more uncertain when it comes to generalize, particularly between countries.[130]

Another within the field, as highlighted by Dodsworth and Cheeseman, is that democracy support organizations rarely initiate rigorous evaluations of their initiatives.[131] And when evaluations have been performed, results are often not made accessible to the public. Consequently, the academic literature offers mixed empirical outcomes: Large-scale quantitative studies tend to find a positive correlation between democracy aid and democratization, while in-depth qualitative case studies exhibit more retainment and show limited effects.[132] This mismatch between quantitative optimism and qualitative caution has led to a mixed evidence base, making it harder for policy-initiators to design empirically robust democracy promotion. [133] In economically strained times, this uncertainty provides an entry point for indifferent politicians to neglect funding for democracy promotion efforts, particularly when initiatives take on a long-term and indirect approach.[134] Such reasoning is recently evident in the United States in 2025, particularly in relation to the public disclosure of spending by the United States Agency for International Development (USAID).[135]

Quantitative studies are particularly vulnerable to what Gisselquist points out, reversed causality. Indicating that donors are more likely to support countries that are already showing signs of democratization. For instance, with the EU's "More for More" scheme

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[127] J, Leininger. A, von Schiller (2023), pp. 10
[128] Ibid
[129] Ibid, pp. 13-14.
[130] Ibid, pp 11.
[131] S, Dodsworth. N, Cheeseman. (2018), pp. 307.
J, Leininger. A, von Schiller (2023), pp. 11-12
[132] S, Dodsworth. N, Cheeseman. (2018), pp. 307.
J, Leininger. A, von Schiller (2023), pp. 11-12
[133] Ibid
[134] S, Dodsworth. N, Cheeseman. (2018), pp. 307.
[135] S, Grimm, et al. (2025, February 7). USAID Facing its End? Likely Consequences for International Democracy Promotion. PRIF Blog. https://blog.prif.org/2025/02/07/usaid-facing-its-end-likely-consequences-for-international-democracy-promotion/

where countries are given more aid when implementing democratic reforms. Here, a careless evaluator might falsely conclude that the most recent incentive caused the democratization effect, although in reality, the conditions pre-empt the intervention.[136]

As previously mentioned, qualitative research often struggles with limited generalizability, providing rich and detailed insights for a country, but with the consequence of limited external validity.[137] Subsequently the research field suffers from major evidence gaps. While there is considerable knowledge about certain aspects of democracy promotion, like in the context of EU enlargement and the ENP, there is still shortage of robust empirical research of democracy promotion efforts, especially outside of Europe.[138]

In her study Gisselquist's amass a collect of 90 studies of democracy aid, outlining methodology and estimation of effect. Interestingly, demonstrating how most of the research employed basic statistical methods like ordinary least squares (OLS) or panel data regression.[139] More advanced estimation methods, capable of measuring the counterfactual outcome like Difference-in-Differences (DiD) or SCM, are very rarely used within Gisselquist's dataset, where the use of DiD is limited to a single case, and SCM non-existent.[140]

Moreover, Leininger and Schiller points out that democracy promotion initiatives tend to be framed as a normative mission, not in the *intrinsic* regard as displayed in Table 1, but rather in the context where democracy promotion initiatives are justified by values and beliefs, as opposed to empirical data.[141] This can reduce the incentive to evaluate critically. If practitioners are convinced that their work is morally right, they may be less interested in asking whether it actually works. This creates a cycle of self-reinforcing assumptions, where weak evidence leads to weak evaluations, which in turn reduces learning.[142]

Moreover, with the global rise of authoritarianism has created new challenges for democracy promotion. With the end of the Cold war and the subsequent the democratic boom of the 1990s, the focus was on spreading democratic values to newly independent states. Today, the priority has shifted toward consolidating democracies.[143] Liberal norms are in decline globally, and authoritarian powers like China and Russia increasingly challenge the West's narrative of democracy.[144] This shift from promoting democracy to protecting threatened democracies raises new

[136] R, M, Gisselquist. et al. (2021), pp. 13.
[137] S, Dodsworth. N, Cheeseman. (2018), pp. 308. J, Leininger. A, von Schiller (2023), pp. 10.
[138] J, Leininger. A, von Schiller (2023), pp. 9.
[139] R, M, Gisselquist. et al. (2021), pp. 17, 32–52.
[140] Ibid, pp. 32–52.
[141] J, Leininger. A, von Schiller (2023), pp. 11.
[142] Ibid.
[143] J, Leininger. S, Richter. (2023), pp. 2-3.
[144] J, Leininger. S, Richter. (2023), pp. 3-4
D, Chen. K, Kinzelbach. (2015), pp. 401–403.

research questions.[145] For example, researchers today must take into account competing geopolitical realities, as democracy promoters can no longer operate in a unchallenged vacuum.[146]

To deal with this new reality, Leininger and Richter propose the addition of variables that capture the presence of authoritarian and populist neighbouring states, estimating dynamics of security, economic dependencies to guarantee increased robustness of contemporary methodical models.[147] For instance, strong security or trade ties between a recipient regime and an authoritarian power can create structural obstacles to democratization. In this way, authoritarian regimes may develop their own forms of leverage and linkage with third countries, without it necessarily resembling traditional autocracy export.[148] At the same time, Leininger and Richter argues that research must also critically examine the democracy promoters themselves. Western powers have not always been consistent champions of democracy. In practice, they have at times prioritized other interests, such as stability, counterterrorism, or migration control over the enforcement of democratic conditionality. This has been evident, for example, in the EU's approach to its neighbouring countries involved with the ENP.[149] Demonstrating how underlying conflicts of interest have a potential to make democracy promotion inherently inconsistent, undermining the legitimacy of democracy supporters among members of the recipient states.[150]

In summary, democracy promotion faces a double challenge, firstly, internal methodological limitations, like how to measure democracy, isolate causality, and evaluate effect. Secondly, how to manage theoretical and normative expectations, with the need to make sense of democracy conceptualization and purpose, as well as the geopolitical context with increasingly international backlash. By adopting more methodologically ambitious approaches, fostering stronger collaboration between researchers and democracy promotion practitioners, with added a sensitivity to both local and global contexts, future studies may begin to bridge these gaps. Facilitating a clearer understanding of what contributes to successful democracy promotion and protection.

2.4. The GSP Scheme

The Generalized System of Preferences (GSP) was introduced in 1971 during the United Nations Conference on Trade and Development (UNCTAD) as a system for wealthy countries to support developing and least-developed countries through

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[145] J, Leininger. S, Richter. (2023), pp. 4-5.
[146] D, Chen. K, Kinzelbach. (2015), pp. 406–407.
[147] J, Leininger. S, Richter. (2023), pp. 15-16.
[148] D, Chen. K, Kinzelbach. (2015), pp. 412–413.
J, Leininger. S, Richter. (2023), pp. 17.
[149] J, Leininger. S, Richter. (2023), pp. 16.
J, Lynch. (2021). Part of the problem: A better European approach to human rights in the Middle East and North Africa. *European Council on Foreign Relations*. https://ecfr.eu/special/mena-human-rights/
[150] Ibid.

unilateral trade preferences, development aid, and governance support.[151] The rationale for the GSP stems from the structural disadvantages that poorer countries face in the global market, where domestic firms in poorer countries lack the competitiveness, while national economies lack the subsidizing capacity to diversify into new industrial sectors.[152]

Today, fifteen countries, including the EU, provides a GSP schemes in line with UNCTAD recommendations, with each country outlining its specific benefits and eligibility criteria within this framework.[153] The EU, which holds exclusive competence over its common trade policy, created its first GSP scheme in 1971. Until 2004, it underwent little reform beyond annual adjustments to tariffs and trade quotas.[154] In 2002 and 2004, the European Commission's Directorate-General for Trade introduced a revised and ambitious GSP setup with five special arrangements, which eventually developed into the GSP+ and Everything But Arms (EBA) instruments, both formally adopted in 2005 under *Council Regulation (EC) No. 980/2005*. Since then, the structural architecture has been defined by three core instruments: standard GSP, GSP+ (a "more for more" scheme), and EBA (offered to least-developed countries). These were consolidated in 2012 through *Regulation (EU) No. 978/2012*, with the next revision period set for 2027.[155]

In the current EU framework, the eligibility criteria and benefits differ across the three arrangements. To briefly delineate the difference between the schemes, the GSP+ serves as a "more for more" instrument, requiring potential beneficiaries to commit to the ratification and effective implementation of 27 international conventions, compared to the 16 required under the standard GSP and EBA. In exchange, GSP+ countries gain access to additional trade benefits. For a detailed overview of the criteria and benefits associated with the EBA and standard GSP arrangements, see Appendix B, page 85.

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[151] United Nations Conference on Trade and Development (UNCTAD). Generalized System of Preferences (GSP). https://unctad.org/topic/trade-agreements/generalized-system-of-preferences

[152] European Parliament and Council of the European Union. (2012). *Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalized tariff preferences and repealing Council Regulation (EC) No 732/2008*. Official Journal of the European Union, L 303, 1–82. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012R0978

[153] United Nations Conference on Trade and Development (UNCTAD). Generalized System of Preferences (GSP). https://unctad.org/topic/trade-agreements/generalized-system-of-preferences

[154] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 6. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.

[155] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 6-7. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.
European Commission. (2023). *Council and Parliament agree to extend current GSP Regulation until 2027*. GSP Hub. https://gsphub.eu/news/GSP-extension-2027

The GSP+ Criteria and Benefits:

- GSP+ is a special incentive arrangement within the broader GSP framework. Like the standard scheme, it targets low or lower-middle-income countries, and beneficiaries must not already have a trade agreement with the EU.[156]
- What makes GSP+ unique is its conditionality. To qualify, countries must ratify and effectively implement 27 international conventions, including legislation that promotes human rights, labour rights, inclusiveness, environmental protection, and good governance (see Appendix B: Table 3).[157]
- Beneficiaries must ensure effective compliance with these conventions and provide transparency by regular assessment and access to EU observers to verify compliance.[158]
- GSP+ excludes EU tariffs on imports for over 6,400 products, more than standard GSP, but fewer than under EBA.[159]

There are two main paths through which a GSP+ beneficiary country may either lose or have its trade privileges temporarily suspended:

- Non-compliance with international conventions: For example, violations related to human rights, forced labour, money laundering, illegal trade, or environmental abuse. Both compliance and oversight are more stringent under GSP+ than the other two schemes.[160]
- Graduation: if a country surpasses the income threshold for three years in a row or signs a trade agreement with the EU.[161]

As of 2022, 64 countries participated in one of the three GSP schemes: 10 in the standard GSP, 8 in GSP+, and 47 in EBA. Figure 5 displays a geographical map of participating countries, for a detailed list of countries see Appendix B, Table 4.

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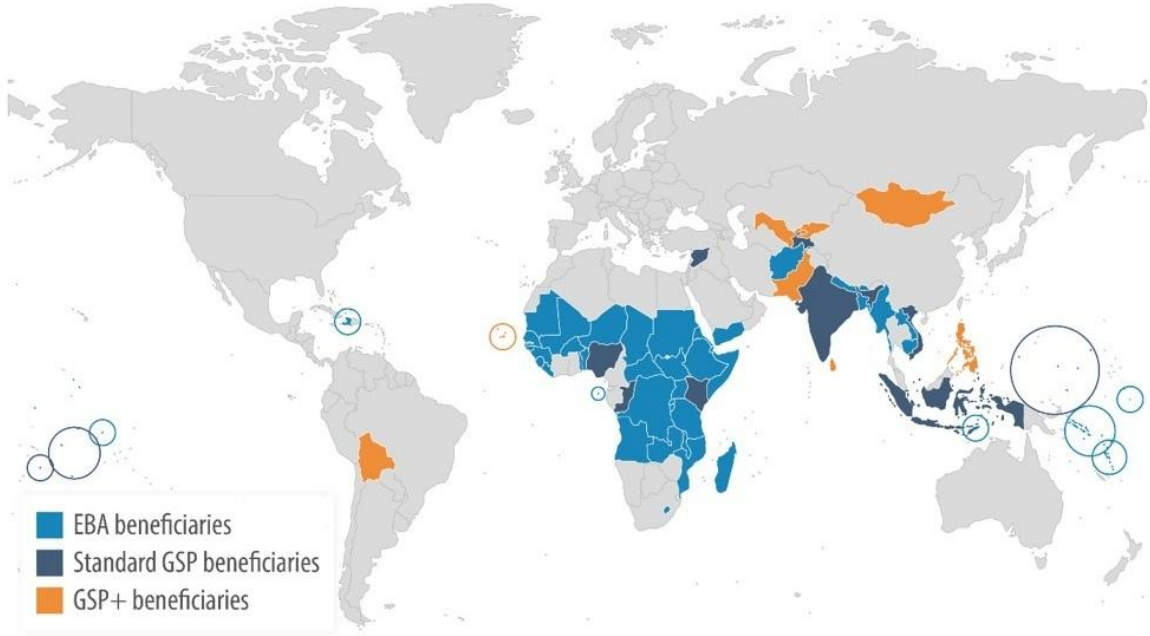
[156] Ibid
[157] Ibid
[158] Ibid
[159] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 11. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.
[160] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 18. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.
[161] European Parliament and Council of the European Union. (2012). *Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalized tariff preferences and repealing Council Regulation (EC) No 732/2008*. Official Journal of the European Union, L 303, 1–82. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012R0978

Figure 5: Participating GSP/EBA/GSP+ Countries as of 2022.



Source: EPRS, based on the consolidated text of the GSP Regulation in force (as of 1 January 2022).

2.4.1. Theoretical Operationalization of DPM's in the Context of GSP+

Why GSP+?

The theoretical relationship between democracy promotion and the GSP+ program lies in the significance of the international conventions, the regular monitoring mechanisms that guarantee their implementation, and the GSP+'s trade benefits. These conventions, particularly the UN and ILO conventions, necessitates the ratification of legislation that advance liberal values and protect human rights (see Appendix B: Table 3).

Additionality, the added conditionality of the GSP+ scheme introduces a legislative layer of good governance, including transparency, anti-corruption, and the rule of law. While this direct, top-down form of conditionality, grounded in the ratification of 27 international conventions, has a strong theoretical foundation, it is not the only pathway through which the GSP+ may promote democracy. The GSP+ direct conditionality and benefits also has a potential to facilitate a range of indirect mechanisms of democratization potential, such as market integration, increased transnational exchange, and the long-term diffusion of governance norms. Together, these direct and indirect mechanisms underpin the study's theoretical argument regarding the GSP+ as an instrument of democracy promotion.

This line of reasoning will be further developed and conceptualized in the following section of this chapter through the operationalization of the three democracy promotion models in the context of GSP+. This will then provide the theoretical basis of which

informs the operationalization and construction of the independent index variables aiding the empirical analysis.

Furthermore, the structural design of GSP+ as a unilateral trade agreement provide two key advantages in facilitating democracy promotion. First, participation is voluntary, meaning that countries applying GSP+ membership do so by accepting the self-binding conditions. This voluntary commitment mitigates the impression of the instrument as a tool for European neocolonialism or asymmetrical coercion.[162] Second, the unilateral format of the scheme grants the EU the capability to suspend benefits in cases of conditionality non-compliance. A capability that is more difficult to achieve within the framework of bilateral agreements, where backlash can be a possibility.[163]

As this section has demonstrated, the GSP+ instrument offers a unique opportunity to study the EU's capacity for democracy promotion in a globalized context. The following section will discuss how the mechanisms of GSP+ reflect key theoretical aspects of the DPM's, investigating the scheme's amplifying potential to directly and indirectly expose all layers of society to EU norms and values. therefore, the study's in-depth analysis of the GSP+ instrument may provide a valuable and unique case for measuring the effectiveness of democracy promotion theories beyond the EU's neighbourhood and may offer complementary insights into how EU can continue to develop democracy promotion tools for a broader global context.

Linkage and the GSP+

The linkage model is based on the assumption that strong transnational ties between the EU and GSP+ countries promotes the internalization of democratic norms through bottom-up processes such as cultural connections, socialization, educational exchange, civil society engagement, and cross-border business relations.[164] In most international relations, some form of linkage already exist, cemented through historical and geographical proximity.[165]

If strong linkage exists between the EU and a specific GSP+ country, there is theoretical reason to believe that both the country and its citizens and political elites may be more receptive to the liberal and governance improvements introduced through the GSP+.[166]

Linkage effects take time to influence democratic values. Out of the three models, mechanics facilitating linkage receives the least attention within the GSP+ scheme. Therefore, linkage is expected to show the least correlation. However, this does not

[162] European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 14. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.
[163] B, Rudloff (2025). *The EU between unilateral sustainability approaches and bilateral trade agreements: Paths to better partnerships* (SWP Working Paper No. 05, March 2025). Stiftung Wissenschaft und Politik, pp. 9-11.
[164] C, Bosone. G, Stamato. (2024), pp. 2.
[165] S, Lavenex. F, Schimmelfennig (2011), pp. 886-887.
[166] S, Levitsky. L, A, Way. (2006). pp. 385

rule out its role in conceptualizing the causal effects of GSP+ on liberal democracy in conjunction with the other DPM's and comparing outcomes between GSP+ countries.

Leverage and the GSP+

The leverage model democracy promotion potential is based on the idea of top-down political conditionality, using external leverage to introduce democratic institutions. In the context of GSP+, the EU applies leverage in the form pre-conditions, requiring potential the GSP+ candidates to ratify and effectively implement 27 core international conventions. These necessitates legislation which emphasizes the protection of liberal values such as human rights, gender equality, labour rights, but also more good governance and sustainability orientated (see Appendix B: Table 3). Thus, the conditionality introduced with GSP+ demonstrate a solid basis of directly promoting liberal democracy.

Just like the linkage model, leverage can also be implemented through the leveraging of the EU market. The rationale is that international companies ideally want to streamline their production to conform to the strictest regulatory standards.[167] As such, when firms in GSP+ countries gain incentives to export to the EU under reduced tariffs, they are more likely to conform to EU standards and regulation. This allows the EU to externalize liberal standards, including sustainability requirements, fair labour practices, and good governance related principles.[168]

A common issue with conditionality-based democracy promotion is the lack of transparency or access for compliance observations to verify whether the agreed conditions are being enforced effectively.[169] GSP+ conditionality addresses this by requiring the partner country to grant the EU explicit rights to monitor compliance. This sets GSP+ countries apart from EBA and GSP, as it helps ensure that core conventions are effectively enforced in practice.[170]

For leverage to be effective in promoting democracy, the GSP+ beneficiary country must be dependent on access the EU market, where a significant share of its exports should go to the EU. As Levitsky and Way demonstrates, with more asymmetric trade relation, comes increased dependency from the partner country, the stronger this dependency is the stronger the incentive to comply with the GSP+ conditionality, especially when the GSP+ benefits improved trade preferences.[171] Apart from market access, such dependence can also be attributed to development aid, diplomatic

[167] A, Bradford. (2016). The EU as a regulatory power. In M. Leonard (Ed.), *Connectivity wars: Why migration, finance, and trade are the geo-economic battlegrounds of the future,* pp. 133-135.
[168] Ibid.
[169] A, Rabitsch. (2023), pp. 39
[170] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 6-7. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf.
[171] S, Levitsky. L, Way. (2006), pp. 382-383.
S, Lavenex. F,Schimmelfennig (2011), pp. 893, 895.

advocacy, or debt exposure. However, if the GSP+ country has stronger ties to regional powers, for instance, China or Russia, the EU's leverage may be diminished.[172] As such, when countries join the GSP+ scheme, it illustrates how conditional trade incentives can generate early success for the leverage model. However, if leverage is not maintained beyond the point of accession, the resulting weakening of political pressure may correlate with a declining commitment to the scheme's conditionality and, by extension, democratization.

Good Governance and the GSP+

The good governance model stipulates that democratization can be promoted on an institutional meso-level institutional. This is done by either direct introducing conditionality emphasising good governance reforms or indirectly through norm-diffusion.[173] In the context of GSP+, this is primarily reflected in a top-down form of conditionality, whereby countries commit to ratifying and implementing the 27 core international conventions. Among these conventions there are those that place particular emphasis on good governance principles such as transparency, anti-corruption, gender equality, and the rule of law. Together, these conventions have the potential of shaping an institutional system, aligning more closely to EU's governance norms. (see Appendix B, Table 3 for core conventions).

It is important to note that the goal of GSP+ is not to force regime change, but to reduce poverty by stimulating growth and the capacity of public institutions to provide transparency, public accountability, and anti-corruption measures.[174] This, in turn, may help the consolidation of the rule of law into the structure of the state, embedding institutional liberal values as well as trust among the civil society.[175]

The GSP+ criteria for transparency and regular monitoring of its conditionality conforms not only with theoretical arguments of leverage, but also with democratic governance principles. It does so by raising the stakes for public administrations in GSP+ beneficiaries to increase institutional capacity, adopt norms of responsibility, transparency and accountability.[176] Moreover, it creates a trans-institutional exchange between EU officials and bureaucrats from partner countries, stimulating norm diffusion.[177]

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[172] Ibid.
[173] J, Leininger. S, Richter. (2023), pp. 23.
M, S, Grindle. (2007), pp. 556.
[174] M, S, Grindle. (2007), pp. 556.
[175] S, Lavenex. F, Schimmelfennig. (2011), pp. 895-896.
[176] European Parliament and Council of the European Union. (2012). *Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalized tariff preferences and repealing Council Regulation (EC) No 732/2008*. Official Journal of the European Union, L 303, 1–82. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012R0978
[177] F, Schimmelfennig. U, Sedelmeier (2004), pp. 672, 675.
T, Freyburg. Et al. (2009), pp. 918.

GSP+'s conditionality is not likely to directly reform the entire public administration of beneficiary countries. While it includes conditionality related to good governance, such as corruption control, transparency, and the rule of law, these alone may not be sufficient to transform public administration in the short run. Instead, for successful good governance implementation, the process may also require long-term institutional norm diffusion transferred through trans-institutional exchange, gradually normalizing good governance. Over time, this can foster greater public trust and strengthen democratic ideals, both at the meso and micro levels. Such citizens are, in turn, more likely to assert their rights and resist autocratic tendencies.[178]

2.5. Theoretical Contribution

This chapter has reviewed the research field of democracy promotion, particularly in the context of the EU's GSP+ and the DPM's. Throughout this process several recurring challenges have been identified, one such challenge is the often-ambiguous definition of what democracy promotion efforts involves, especially when "democracy" itself is not clearly defined. This study attempts to addresses this challenge by delimiting the term democracy to the concept of liberal democracy, a term with well-defined institutional foundations, statistically operationalized by the V-dem institute (see Methodology chapter). With this delineation, we ensure that the study can accurately estimate the expected outcomes within a liberal democratic context, thereby avoiding conceptual confusion.

Moreover, the thesis explores the EU's GSP+ program, which is not explicitly designed as a democracy promotion tool. Nonetheless, as this chapter demonstrates, this instrument contains mechanism of democratic promotion potential through its conditionality and good governance. Despite this, the GSP+'s democratization potential remains empirically underexplored, both in academic field and in EU policy evaluation. The GSP+ also provides a valuable opportunity to assess alternative ways in which the EU can function as a global democracy promoter in a more contested international power dynamic — a field that has received far less attention compared to the well-established empirical research on EU's democracy promotion efforts in its immediate neighbourhood.

The theoretical framework underpinning this thesis incorporates three well-established DPM's. While these models have been employed frequently in previous research, they have mostly been used separately or in limited combinations. A more extensive application of all three models in conjunction has rarely been observed. This is perhaps due to the methodological challenges and scale of such an approach.

By operationalizing and quantifying each democracy promotion model into distinct index variables, this study seeks to overcome above mentioned limitations. This format

[178] S, Lavenex. F, Schimmelfennig (2011), pp. 895-896.
T, Freyburg, et al (2009). EU promotion of democratic governance in the neighbourhood. *Journal of European Public Policy, 16*(6), pp. 918

enables a broader and more systematic analysis capturing different dimensions of how the EU's democracy promotion influences liberal democracy. Hence, creating a potential for qualitative contextual insight while maintaining a quantitative statistical estimator, leading to an increased casual understanding between EU's democracy promotion efforts and democratization outcomes.

2.6. Thesis Hypotheses

The purpose of this thesis is to explore whether the EU's GSP+ instrument has fostered a democratization effect in participating countries. This is done through conceptualizing how GSP+ can be understood as a tool for democracy promotion tool, based on three well-established models of external democratization: *leverage, linkage*, and *good governance*. To guide this analysis, the thesis is formulated around a main hypothesis, estimating GSP+'s overall effect on liberal democratic growth. To conceptualize the outcome observed in the analysis of the main hypothesis, three sub-hypotheses are introduced, each focused at separately estimating how the DPM's correlate with the liberal democracy outcomes observed among the GSP+ countries. The structure of the theoretical argument is presented in Figure 6, and the following sections outline its main components.

2.6.1. Main Hypothesis (H1) - The GSP+ as a Catalyst for Liberal Democratization

H1: The EU's GSP+ scheme is expected to foster liberal democratization among GSP+ beneficiary countries.

- GSP+ is hypothesized to affect liberal democracy in beneficiary countries because it provides benefits and conditionalities that are expected to facilitate the mechanisms corresponding to the theoretical arguments of the three democracy promotion models.
- The solid green arrow in Figure 6 represents the causal effect of GSP+ on liberal democracy (**H1**), whereas the dotted green arrow illustrates the theorized causal pathway, expected to operate through the mediating effects of Leverage, Good Governance, and Linkage.

2.6.2. Hypotheses 2-4 (H2-H4) - The correlation between Liberal democracy and Linkage, Leverage and Good Governance

H2–H4 attempts to capture and measure the theoretical assumptions underlying each DPM and examines whether these models correlate with different levels of liberal democracy. These hypotheses serve only to provide inductive insight for conceptualizing the observed estimates of **H1**. These should not be interpreted as causal prerequisites for validating the causal inference of **H1**.

These hypotheses are tested using Random Effects (RE) and Two-Way Fixed Effects (TWFE) panel regression estimators, complemented by temporal trend comparison.

Together these are used to confirm theoretical validity of the indices, whether the variation in liberal democracy correspond to variations within the operationalized DPM's.

H2 (Linkage): A stronger linkage between the EU and among GSP+ countries is associated with higher levels of liberal democracy.

- When linkage between countries is strong, it is expected to facilitate the transfer of liberal values and norms at the micro-level through transnational exchange. Linkage is anticipated to be more significant in countries with cultural, historical or geographical proximity to the EU.
- Within the GSP+ context, linkage mechanism is barely enhanced directly.

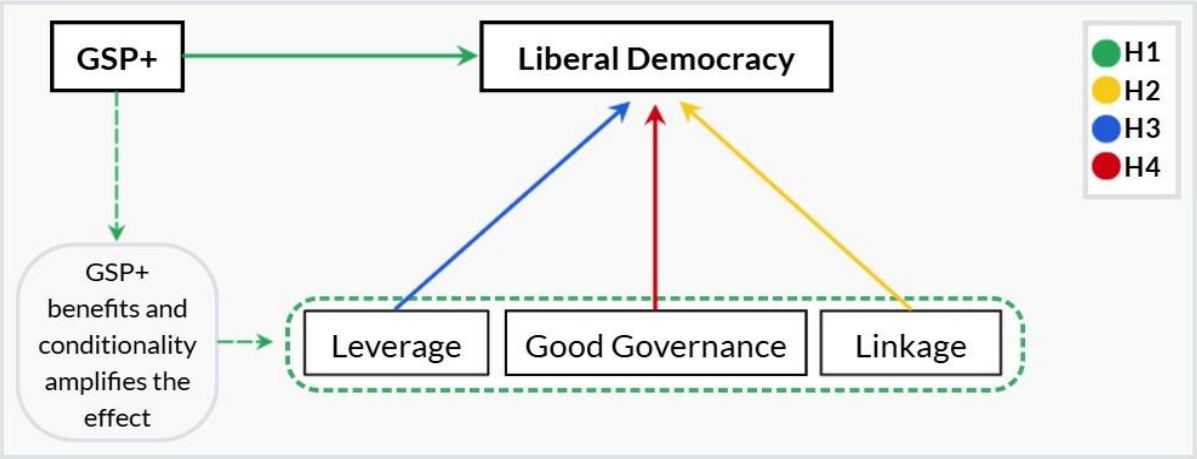
H3 (Leverage): Higher levels of EU leverage over GSP+ countries foster compliance with conditionality and increase susceptibility to liberal reforms.

- The rationale behind this hypothesis is that countries which are politically, materially, or economically dependent on an external actor like the EU, have a greater incentive to comply with the democratic conditions facilitating that dependency, such as respect for human rights, democratic principles, and good governance.
- Leverage is expected to display its strongest correlation with liberal democracy during two periods. First, in the period of conditionality ratification prior to GSP+ accession, when democratic institutions are adopted. Second, in the post-accension phase, where over time, deeper trade integration increases the need for sustained compliance with the conditionality and EU standards.

H4 (Good Governance): GSP+ beneficiaries with stronger good governance are hypothesized to facilitate the protection of liberal democracy institutions

- Efficient and non-corrupt institutions have increased capacity to act autonomously, to combat corruption, guarantee the rule of law and civil liberties, while also ensuring transparency and accountability. This generates increased public trust in institutions and, over time, creates a foundation for the normalization of liberal and democratic values.
- Among the three DPM's, good governance is expected to demonstrate the strongest association with liberal democracy following GSP+ accession. This is attributed to GSP+'s top-down conditionality emphasising multiple good governance reforms.

Figure 6: Hypotheses and Theoretical Causal Pathways



Note: Each arrow in the figure corresponds to a hypothesis (H1–H4), color-coded as shown in the legend. The figure illustrates the theoretical causal pathways linking GSP+ and its mechanisms to liberal democracy.

3. Method

This section outlines the methodological framework of the study, which is structured to deal with the methodology of the main research question by creating a framework that deals with **H1**-**H4**.

The structure of this section begins with arguments for the chosen research design compared to alternative designs, followed by a presentation and discussion of the data material. This includes the dependent variable as well as the construction and operationalization of the three independent variables indices. Next, the choice of statistical methods will be discussed, including the structuring of the statistical models SCM, TWFE and RE. The section concludes with the strategies used to minimize bias potential and maximize model robustness and validity.

3.1. Design

Given the study's GSP+ framing, a quasi-experimental design is the most suitable approach. This choice is based on the inherent limitations of studying the causal effects of GSP+ where the explanation of this correlation can only be interpreted by examining fixed countries involved in GSP/EBA or GSP+. This predetermination of the sample pool excludes alternative designs like experimental, since randomization is not possible.

A quasi-experimental design is better suited to capture the real effects of GSP+ than, for example, a cross-sectional study or a randomized analysis. As noted by Clougherty and Moliterno, this design helps minimize the researcher's influence on the selection process and instead allows empirical data of the pre-determined sample to guide the analysis of the observed effects.[179]

To ensure an analysis capable of investigating the causal effects, a quasi-experimental design requires a panel data structure that allows statistical observation of variation both within and between countries over time.[180] This format enables an analysis of GSP+'s effect on democratization by comparing within-country variation before and after accession. Since countries join GSP+ at different points in time (staggered treatment), a method capable of systematically handling this variation is necessary.

Several statistical methods can be employed to deal with the aforementioned prerequisites; DiD, OLS and fixed effects regression models, to name a few. As previously noted in Gisselquist's study, simple panel data regression remains the most common approach in democracy promotion research.[181] However, due to the limited

[179] J, A, Clougherty. T, P, Moliterno. (2010). Empirically eliciting complementarities in capabilities: Integrating quasi-experimental and panel data methodologies. *Strategic Organization, 8*(2), pp. 114-115.
[180] Ibid, pp. 115-116
[181] R, M, Gisselquist. et al. (2021), pp. 17, 32-52.

country sample of GSP+ and therefore concerns over weak causal inference in conventional methods, this study employs SCM as the thesis primary method for identifying democratization causality.

The choice of SCM provides a few advantages for democracy promotion studies. First, it is the ability to compare the counterfactual development of democratization for each GSP+ country. Here, the model constructs a synthetic version of the same country, using statistically similar control group countries. This enables more of a tailored counterfactual analysis.[182] Second, the SCM's more qualitative approach, focusing on a single country, offers greater contextual sensitivity for each case. This way, differences between countries are respected rather than being aggregated into a single regression estimate. In the context of democracy promotion, this transparency is important, as uncontrolled extreme effects on causality can at least be observed and addressed, instead of being aggregated into a generalized sum as in other regression models.[183]

In comparison, staggered DiD, an alternative counterfactual design, demonstrate a few challenges. First, DiD requires a strict parallel trend among treated and untreated units prior to intervention to be robust and overall necessitating a large sample size.[184] Secondly, the staggered DiD approach — as well as alternative regression models — risks oversimplifying the data in this context by collapsing the entire treatment group into a single estimate. As Bertrand demonstrate, a small sample size is far from ideal for DiD estimation, since outliers and extreme countries — for example, regime change can strongly influence democratic outcome — can disproportionately influence the results, creating ambiguity around the study of the intervention. This suggests that a more aggregated design would be inherently flawed when applied to the limited number of GSP+ countries.[185]

SCM's counterfactual requires pre-trend similarity fit as well, however, in SCM this trajectory fit does not need to be parallel to the horizontal y-axis like in DiD. This trajectory fit is done by constructing a synthetic control group for each treated country based on the best-weighted combination of pre-treatment characteristics.[186]

Moreover, SCM's emphasis on small-N studies allows for a more contextualized and qualitative analysis. This allows for increased model integration, particularly the use of Temporal trend comparison. The application of a model that can account for each individual GSP+ country allows for the adoption of a mixed-method approach,

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[182] A, Abadie. J, Vives-i-Bastida. (2022). Synthetic controls in action, pp. 6-7.
[183] A, Abadie. A, Diamond, A. J, Hainmueller. (2010). Synthetic control methods for comparative case studies: Estimating the effect of California's tobacco control program. *Journal of the American Statistical Association, 105*(490), pp. 493-494.
[184] D, Arkhangelsky et al. (2019). *Synthetic difference in differences* (NBER Working Paper No. 25532). National Bureau of Economic Research, pp. 2-3.
[185] M, Bertrand. E, Duflo. S, Mullainathan. (2004). How much should we trust differences-in-differences estimates? *Quarterly Journal of Economics, 119*(1), pp. 250, 273–274.
[186] A, Abadie. J, Vives-i-Bastida. (2022). Synthetic controls in action, Pp. 6-7.

enhancing the design's contextual explanatory power, useful for addressing the complexity of democracy promotion studies, albeit at the expense of the robustness gained from measuring a large observation pool.[187]

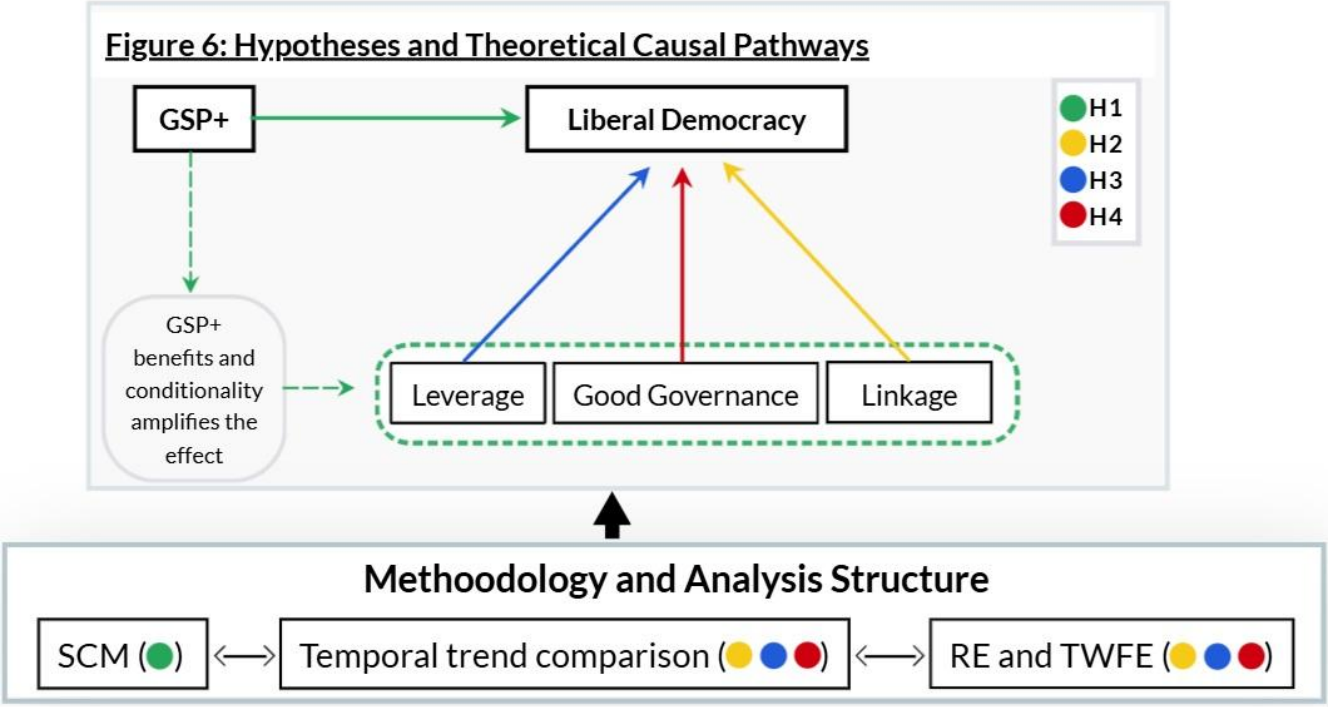
Next, to address hypothesis 2-4 a TWFE regression is used together with RE. These two models compliment the country-specific focus introduced through SCM by estimating the generalizability of the three DPM's. Here, TWFE controls for time-invariant factors within each GSP+ country, providing a understanding whether the three DPM's correlate with democratization processes over time within the same country.[188] Whereas the RE model allows for estimation across both within and between-unit variation, this allows the model to assess which of the DPM's that correlate with increased levels of liberal democracy when the GSP+ countries is compared.[189] The integration of these panel regression models serve the purpose of validating the theoretical arguments behind the construction of the indices. If the regression models demonstrate correlation between liberal democracy and the DPM's then this would demonstrate the robustness of the indices, confirming their theoretical validity.

Moreover, the outcomes of the aforementioned regression models then enhance the robustness of the subsequent non-regression temporal trend comparison. The goal of the temporal trend comparison is to apply the raw data of the DPM indices, to then observe inductive estimates for analysis of comparative trends and covariation between independent and dependent variables for each GSP+ country case.

The structure of the methodological framework and its relation to the theoretical argument is illustrated in Figure 7. Here, RE, TWFE and Temporal trend comparison are used to analyse **H2-H4**, providing an inductive understanding of the correlation between the DPM's and liberal democracy, while also aiming to validate theoretical consistency. This insight is then integrated through temporal trend comparison where the indices conceptualize the trajectory-based design of the SCM, which analyses the causal effect relevant to **H1**. Ideally, this design can highlight the underlying factors that help explain why a causal effect is observed in cases where the SCM indicates an effect of GSP+. Ultimately this approach enhances explanatory depth, robustness, and helps explain why some GSP+ countries experience democratization while others do not.

[187] A, R, Fremeth. G, L, F Holburn. B, K, Richter. (2016). *Bridging qualitative and quantitative methods in organizational research: Applications of synthetic control methodology in the U.S. automobile industry*. *Organization Science*. Advance online publication, pp. 17-18.
[188] J.A, Clougherty. T, P, Moliterno. (2010). pp. 116.
[189] A, Bell. K, Jones.(2015). Explaining Fixed Effects: Random Effects Modeling of Time-Series Cross-Sectional and Panel Data. Political Science Research and Methods, 3(1), pp. 134–135.

Figure 7: Integrating Methodology and Theoretical Framework



Note: The top section presents the hypothesized causal pathways of GSP+ on liberal democracy. The bottom section outlines the methods applied: SCM tests the causal effect for H1; temporal trend comparison serves as an inductive tool to highlight dynamics between the DPMs and liberal democracy, thereby integrating H1 with H2–H4; and RE/TWFE validate the DPM measures while statistically assessing their correlation with liberal democracy.

3.2. Data

The data collection process has been shaped by the study's need to construct a long-term timeline, enabling a sufficient timeframe to analyse long term post-treatment effects of GSP+. Moreover, to include a control- and treatment group representing the full scope of the GSP scheme, panel data was required for all 65 countries that partakes in the GSP+, GSP, or EBA between 2000-2022. Therefore, a dataset capable of supporting a panel data was necessary.[190] These requirements were met by V-Dem version 14 (2024), which uses a country-year format with a data set themed after democracy.[191] In addition, the V-Dem dataset provides several variables used in this study, including the dependent variable, which is measured using a liberal democracy index. A total of 17 variables were collected to build and implement the statistical design. Beyond V-Dem, data was also gathered from established contributors such as Freedom House, CEPII, World Bank, Quality of Government, the OECD, IMF, and others, (see Appendix C, Table 6 for variable overview). Most of these 17 variables

[190] V-Dem Institute. (2024). V-Dem Country-Year Dataset v14. Varieties of Democracy (V-Dem). https://v-dem.net/data/the-v-dem-dataset/country-year-v-dem-fullothers-v14/
[191] V-Dem Institute. (2024). V-Dem Country-Year Dataset v14. Varieties of Democracy (V-Dem). https://v-dem.net/data/the-v-dem-dataset/country-year-v-dem-fullothers-v14/

were selected to be included in the construction of the independent indices representing the three-DPM's: *leverage, linkage*, and *good governance.*

3.2.1. Sample selection and Delimitation

The data has been limited in several ways. First, regarding the timeline: GSP+ is a relatively new program, first introduced in 2001, with countries joining the programs at different years. V-Dem's panel data (at the time of this study) only extends to 2022, which necessitated the timeframe for the thesis being set from 2000 to 2022. This allowed for the inclusion of Armenia, which graduated from the program in 2022 due to increased prosperity, but meant the exclusion of Uzbekistan, which joined in 2021, and thereby insufficient time to analyse post-treatment effects.[192] Similarly, the GSP+ country Cabo Verde was excluded due to limited data availability and because bias could not be sufficiently excluded using synthetic control, due to Cabo Verde uniquely high level of liberal democracy compared to other GSP+, GSP, and EBA countries. Additionally, several countries from the GSP/EBA group were excluded due to missing dependent variable data (Syria, South Sudan, Cook Islands, Micronesia, Tuvalu, and Kiribati).

The rationale for including only EBA and GSP countries for SCM control group is motivated by the shared characteristics among these countries. These include criteria outlined earlier (GSP section), such as low-income levels, lack of free trade agreements with the EU, and baseline standards for human rights and democratic principles. These similarities create a relatively natural homogenous control group, making it easier to isolate the added effects of GSP+'s expanded benefits. This is further reinforced by the weighing control and predictor in the SCM, whereby the process selects countries from the control group that exhibit similar democratization trends. While perfectly matching control group countries is unrealistic, this selection preserves a consistent logic of comparing EU support to developing countries with similar conditions. This naturally excludes more affluent countries and those with extreme autocratic tendencies or repeated human rights violations.

It is important to note that the control group is only used in the SCM analysis. Where the TWFE and RE regressions include only the treated GSP+ countries. This is a direct result of the time-consuming data collection required for the independent indices, which was constrained by the timeframe of this thesis. thus, the statistical strength of these two models will slightly suffer.

3.2.2. Variables

The statistical analysis is based on four index variables: One dependent variable and three independent variables (an overview is provided in Appendix C, Table 4). The

[192] Directorate-General for Trade and Economic Security. (2021). Uzbekistan joins EU's GSP+ arrangement. European Commission. https://policy.trade.ec.europa.eu/news/uzbekistan-joins-eus-gsp-arrangement-2021-04-09_en

concept of an index variable refers to a composite measure that aggregates several theoretically relevant sub-variables into a single 'super-variable'. This allows it to capture a broader range of statistical variance by reflecting multiple theoretical dimensions. Indexes are particularly useful for quantitative democracy promotion studies as they allow for broad measurements of structural concepts that cannot be adequately represented by a single indicator alone.[193]

Dependent Variable

The study's dependent variable is taken from the V-Dem dataset and measures the extent to which countries qualify as liberal democracies.[194] This variable is applied to countries in both control- and treatment group, thereby explaining why it contains more observations than the independent variables, which only has data for the seven GSP+ countries (Appendix C, Table 5).

The Liberal Democracy Index is scaled from 0 to 1, where 1 indicates a fully liberal democratic country. It is constructed from two base indices in the V-Dem database: *v2x_polyarchy* and *v2x_liberal*.[195] Whereas *v2x_polyarchy* reflects principles of Robert Dahl's concept of polyarchy discussed earlier, *v2x_liberal* is based on data capturing liberal ideals, including the rule of law, individual and minority rights, and civil liberties.[196] Together, they form V-Dem's *v2x_libdem* index, whose aggregation and weighting process is illustrated below in formula (1).

$$v2x_{libdem} = .25 * v2x_{polyarchy}^{1.585} + .25 * v2x_{liberal} + .5 * v2x_{polyarchy}^{1.585} * v2x_{liberal} \quad (1)$$[197]

Independent Variable - PCA and Index Construction

The independent variables are aggregated as original indices, constructed from sub-variables that in combination attempts to capture the abstract structures underlying the DPM's.

To assist in the construction of the indices, Principal Component Analysis (PCA) was employed. PCA is a statistical tool used to analyse how variables behave in relation to one another.[198] A major advantage of PCA is its capacity to construct data-driven

[193] E, R, Babbie. (2020). *The Practice of Social Research*. 15th ed. Cengage Learning, pp 160–163.
[194] Coppedge et al. (2015), V-Dem Working Paper Series 2015:6); 2024. "V-Dem Codebook v14" Varieties of Democracy (V-Dem) Project, pp 48.
[195] Ibid.
[196] R, A Dahl. (1989), pp. 233.
Teorell et al. (2019); "V-Dem Codebook v14" Varieties of Democracy (V-Dem) Project, pp 47.
Coppedge et al. (2015, V-Dem Working Paper Series 2015:6); 2024. "V-Dem Codebook v14" Varieties of Democracy (V-Dem) Project, pp 53.
[197] Coppedge et al. (2015), V-Dem Working Paper Series 2015:6); 2024. "V-Dem Codebook v14" Varieties of Democracy (V-Dem) Project, pp 48.
[198] M, Nardo et al. (2005). *Tools for composite indicators building* (EUR 21682 EN). Institute for the Protection and Security of the Citizen, Econometrics and Statistical Support to Antifraud Unit. European Commission, Joint Research Centre, pp. 17-18.

indices based on statistical variance rather than relying solely on subjective theoretical assumptions. While the selection of individual sub-variables may align with theoretical arguments, there is no guarantee that, when combined into an index through PCA, their respective contributions will exhibit consistent variance or directional alignment. Consequently, some theoretically sound sub-variables have been excluded from the indices in cases of extreme component polarisation in relation to other sub-variables in their statistical alignment.[199]

Furthermore, PCA also reduces multicollinearity by transforming the original, potentially correlated variables into a set of uncorrelated and orthogonal principal components (PCs), which clarifies the actual effects of variables.[200] The entire process of how PCA was used to construct the three DPM indices, with overview of statistical alignment and contribution of the sub-variables, is discussed and presented for each DPM in Appendix C, Table 9 to 13.

Operationalization for Leverage, Linkage and Good governance.

While PCA was used to ensure the statistical stability of the indices, theoretical alignment is also necessary to ensure that they reflect the conceptual foundations of the DPM's. Moreover, these models are not necessarily exclusive to democracy promotion alone, particularly in the case of leverage. As such, the operationalization analysis also employs a realist international relations perspective to interpret broader implications, seeking to compliment the focus on democracy promotion mechanisms by operationalizing dynamics between countries in which leverage, and linkage emerge.

The operationalization of linkage and leverage is structured around two guiding questions: How does the EU generate leverage over a third country, and through what mechanisms is linkage established between the two? Identifying such mechanisms is a challenging task, as there are, to my knowledge, few studies on the operationalization of these concepts, and even fewer that attempt to translate them into composite statistical indices. Consequently, the construction of linkage and leverage in this study has involved a degree of interpretive freedom, informed by the theoretical foundations discussed in previous chapters and by international relations theory.

In contrast, the operationalization of good governance has been less challenging, as it draws on a range of existing governance index variables that are clearly defined and can, in combination, be used to measure the underlying institutional conditions associated with good governance.

[199] Ibid.
[200] Ibid.

Leverage: The logic behind the index lies in the need to aggregate variables that, over time, capture the EU's leverage over GSP+ countries. Compared to linkage, leverage cannot be accurately measured through time-invariant factors.

As discussed in the theoretical chapters, one of the EU's most distinct mechanisms of leverage — aside from the promise of enlargement — is access to its internal market.[201] However, the EU can create leverage through other, less direct channels, which may be comparatively weaker but still contribute to EU dependency among GSP+ countries. In total 4 sub-variables were used for the leverage index; they can be observed in Table 8, with a more detailed rationale description presented in the Appendix C, under the *Leverage* category.

Linkage: linkage is difficult to measure because it evolves over time and often requires long periods for a measurable effect to emerge. Here, two categories of variables can be used for a linkage index:

1. Time-invariant factors – These capture historical, geographical, and cultural connections that remain relatively constant. Such factors necessitate the adoption of comparative analysis to be useful, for example, to assess whether countries with strong pre-existing linkages are more likely to experience democratic growth or resist democratic decline.[202]
2. Time-varying factors – These capture changes over time, such as tourism flows, student exchanges, market integration, or cultural exposure.

In this study, both types are included, although time-invariant variables are slightly favoured in terms of numbers. There are two main reasons: First, reliable data for time-varying measures, for example, tourism, student exchanges were difficult to obtain within the timeframe of this study. Second, existing literature more frequently links long-term cultural and historical exposure to sustained linkage.[203] Moreover, the included variables also had to pass the PCA's component alignment test. Ultimately, 5 sub-variables were selected for the index: Table 8 provides an overview, whereas a detailed rationale is presented in Appendix C under the *Linkage* category.

Good Governance: The adopted strategy for capturing good governance follows the prescribed institutional structures outlined by the UN and discussed in the previous theoretical chapter on governance.[204] Here, an increased emphasis is placed on incorporating sub-variables that reflect the good governance conditionality embedded in the GSP+ framework — specifically, corruption control, rule of law, transparency, and institutional independence. Just like leverage, good governance is best measured

[201] S, Keukeleire. T, Delreux. (2022), pp. 226
[202] Sara Kahn-Nisser (2018) pp. 92-93.
[203] S, Levitsky. L, A, Way. (2006), pp. 383-384.
[204] United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2009). *What is good governance?* United Nations, pp. 1. https://www.unescap.org/resources/what-good-governance.

using non-static sub-variables. The finalized good governance index aggregates 4 variables; these can be observed in Table 8. For a more detailed explanation of the sub-variable rationale refer to Appendix C, under the *Good governance* category.

Table 8: Descriptive Overview of Democracy Promotion Indices

Linkage	Variable Description
fh_feb_z	Freedom of Expression and Belief
dr_pg_z	Political Globalization, frequency of NGOs
comlang_ethno_z	Shared Ethnic Language between EU and GSP+ country
colony_z	Colonial Ties between Europe and GSP+ country
dist_inv	Latitude and Longitude Distance Between Capitals
Leverage	
export_toEU_z	Share of a country's exports directed to the EU
bilateral_treaties_z	Bilateral Treaties and Agreements with the EU
DAC_Tech_z	Technical assistance & disbursements from DAC(EU)
DAC_ODA_z	Official Development Assistance received (% of GNI) from the EU
Good Governance	
wbgi_cce_z	Control of Corruption, Estimate
wbgi_gee_z	Government Effectiveness and Quality of Bureaucracy
fh_fog_z	Functioning and Transparency of the Legislative
v2x_rule_z	Rule of Law; Judical Freedoms, Enforcement, Lawful and Justice

Note: For variable sources, see Appendix C, Table 6. Detailed rationale description available in Appendix C

3.3. Statistical Methods

3.3.1. Synthetic Control Method

This study employs three statistical methods to build a comprehensive empirical foundation capable of answering the hypothesis **H1-H4**. For **H1**, the SCM is used to examine whether GSP+ has a catalysing effect on countries levels of liberal democracy. SCM will be applied for each of the seven GSP+ countries. In SCM an artificially created control group is created, also known as a synthetic country, the idea is that this synthetic version represents a counterfactual version of the treated country. This synthetic version is created using donor data the control group of EBA and GSP countries, sourcing the statically most optimized selected subset, which then is merged and weighed together.

The formula for the synthetic construction is presented in (6), where the estimated counterfactual outcome for the treated unit Y_{1t}^{N} at time where *t* is determined. This is then matched and compared to the observed outcome of the control group at the same

point, denoted Y_{jt}. The term $w_j$represents the weight assigned to each control unit, as determined using the formula in (7).[205]

$$Y_{1t}^{N} = \sum_{(j=2)}^{(j+1)} w_j \, Y_{jt} \tag{6}$$

The formula presented in (7) measures the weights and overall performance of the synthetic control group. This is done by estimating the relationship between the countries in the control group and a set of predictors, along with the dependent variable. Based on this estimation, the final synthetic control group is formed, where the contributing countries are selected by minimizing the expression $\frac{min}{w}$ then used in the calculations performed in formulas (6) and (8).

When the synthetic control group is aggregated using formula (7), weights are distributed across the GSP and EBA donor countries on a scale from 0 to 1, depending on the extent to which the variance patterns of the donor pool resemble those of the GSP+ country.[206] For overview of the donor pools, see Appendix E, Table 15.

$$\frac{min}{W}(X_1 - X_0 W)' V (X_1 - X_0 W) \tag{7}$$

Formula (8) estimates the effect of the synthetic control at time *t*, following quasi-experimental notation. Here, τ_{1t} represents the causal effect for the treated GSP+ country at time *t*, where Y_{1t}^{I} is the observed outcome for liberal democracy.[207] This is then compared to the estimated counterfactual outcome, indicated as Y_{1t}^{N} which is calculated based on the synthetic estimate derived from formula (6).[208]

$$\tau_{1t} = Y_{1t}^{I} - Y_{1t}^{N} \tag{8}$$

The construction of this study's SCM design is guided by principles demonstrated in the research of Vives-i-Bastida and Abadie. Their research advocate, for maximum robustness, maintaining sparsity and restraint in the number of included predictors, as well as overfitting the donor pool.[209] SCM models performs better when they're not overfitted. Accordingly, the selection of donor pool countries and predictors in this study follows principles outlined and inspired by Vives-i-Bastida and Abadie:[210]

1. Control countries and predictors that do not contribute to the donor pool or weighting are excluded.

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[205] A, Abadie. J, Vives-i-Bastida. (2022). *Synthetic controls in action* pp. 2-3.
[206] Ibid, pp. 4.
[207] N, Doudchenko. Et al. (2019). *Designing experiments with synthetic controls*. Working paper, pp. 4-5.
[208] Ibid.
[209] A, Abadie. J, Vives-i-Bastida. (2022). *Synthetic controls in action* pp. 4, 7.
J, Vives-i-Bastida. (2022). Predictor Selection for Synthetic Controls, pp. 15.
[210] Ibid.

2. For this study the number of countries in the donor pool are limited to 10. Moreover, the number of predictors should not surpass the size of the donor pool for each case.
3. Ideally, the donor pool should consist of three to five countries with evenly distributed weights. If one synthetic donor dominates the weight distribution, surpassing 90% of the total weight, the result should be interpreted with caution.

The focus, therefore, is to create the closest possible data-driven pre-treatment fit between the synthetic and treated units, ensuring an understanding of the trajectory of the curves without blurring this understanding through an excessive selection of covariate predictors, which would introduce noise into the observed development of liberal democracy.[211]

When it comes to predictors, two types are distinguished: lagged outcome variables and covariates. The former contributes primarily to optimising the fit between the synthetic and the actual treated country. The advantage of this approach is that the model is not overfitted with other predictors that could introduce un-interpretive noise. Therefore, it has become standard practice to include lagged outcome predictors across the pre-intervention period.[212] Covariates, on the other hand, aim to improve the theoretical fit by capturing structural similarities between the treated country and the synthetic donor countries.[213]

Since the SCM design in this study follows the principles of Vives-i-Bastida and Abadie, which advocate sparsity and data-driven selection, the choice of covariate predictors limited by considerable restraint. Ultimately, pre-treatment fit has been prioritised over model overfitting, meaning that covariates and lagged predictors have been excluded if they worsened the fit.[214]

Table 16 provides an overview of the study's predictors and their respective weights: besides the frequency of lagged outcome variables, two covariate predictors are in some cases included: *v2x_polyarchy* and *v2x_feduni*. Their selection is based on their theoretical relevance in attempting to improve similarity between treated and synthetic: *v2x_polyarchy* captures Dahl's polyarchy institutions, establishing whether countries in the synthetic group possess fundamental democratic rights; *v2x_feduni* measures the

[211] D, Gilchrist. T, Emery. N, Garoupa. R, Spruk. (2023). Synthetic control method: A tool for comparative case studies in economic history. *Journal of Economic Surveys*, 37, pp. 422-423.
J, Vives-i-Bastida. (2022). Predictor Selection for Synthetic Controls, pp. 15.
[212] D, Gilchrist, et al. (2023), pp. 422-423.
[213] E, O, Sills, et al. (2015). Estimating the impacts of local policy innovation: The synthetic control method applied to tropical deforestation, pp. 2.
[214] Vives-i-Bastida. (2022). Predictor Selection for Synthetic Controls, pp. 15.

distribution of power at the regional and local levels and its relationship to the rule of law, an aspect considered important for the development of good governance.[215]

Table 16 reveals that, in most GSP+ cases, the outcome and lagged outcome variables dominate the weighting and thus account for the largest explanatory factor in achieving pre-treatment fit. This suggests that the observed SCM outcome is largely explained by the outcome variable *v2x_libdem*.[216] The dominance of this variable indicates that it effectively functions as an anchor between treated and untreated countries, pointing to a degree of structural similarity between them. Only in the case of the Philippines does *v2x_feduni* assume a dominant weight. This means that the pre-treatment fit in this instance being largely explained by the covariate rather than the outcome variable, something that warrants a degree of caution in interpreting the model.

Table 16: Predictor Weights for GSP+ Synthetic Control

GSP+ Countries	Main: v2x_libdem	Lagged: v2x_libdem	v2x_polyarchy	v2x_feduni
Philippines	0.0958	0.015	0.051	0.7976
Pakistan	0.2818	0,7182		
Mongolia	0.1418	0.892²		0.1232
Kyrgyzstan	0.6276	0.3527³	0.0197	
Sri Lanka	0.9352	0.065²		
Bolivia	0.9211	0.0554	0.0183	0.0052
Armenia	0.8573	0.0154³	0.1427	

Note: The superscript number in the lagged column represents the amount of yearly controls. Total weight is presented.
Source: For *variable sources, see Appendix C, Table 6; Countries from V-dem database.*

Beyond the importance of pre-treatment fit, predictor adjustments, and donor pool composition, Vives-i-Bastida and Abadie identify two further factors that influence the robustness and validity of an SCM model:[217]

1. Sufficient time span to validate pre- and post-treatment fit. The longer the pre-treatment period, the greater the opportunity to capture structural similarities between the synthetic and treated country. This poses a challenge in the GSP+ context, as countries join the GSP+ scheme at different times. Consequently, some countries allow for greater scope to validate pre- and post-treatment fit. Across all GSP+ cases, however, a minimum of 4 years of pre-treatment data and a minimum

[215] Coppedge, Michael, et al. 2024. "V-Dem Codebook v14" Varieties of Democracy (V-Dem) Project., pp. 47, 372.
S, Lavenex. F, Schimmelfennig (2011), pp. 895-896.
[216] Vives-i-Bastida. (2022). Predictor Selection for Synthetic Controls, pp. 13-14.
[217] A, Abadie. J, Vives-i-Bastida. (2022). *Synthetic controls in action* pp. 7.

of 6 years of post-treatment data have been acquired, which should provide adequate time to verify trend stability and detect lagged effects.[218]

2. Placebo tests to assess out-of-sample cases. These are presented in Appendix E, Figure 16-18. In these tests, 3 control group countries from EBA/GSP were "treated" with GSP+ in placebo scenarios and compared with actual GSP+ countries, evaluating the effect differences.[219]

3.3.2. Two-Way Fixed Effects and Random Effects

Two-Way Fixed Effects

The idea is that the TWFE and RE models together will help confirm the theoretical validity and statistical robustness of the design. In addition, the temporal trend comparison supports this estimation by assessing the correlation between the DPM's and liberal democracy through linear trend analysis. Ideally, these validated estimations will provide contextual evidence that can provide the SCM analysis an addition to be interpreted with greater nuance. To address **H2-H4** two regression estimators are applied: TWFE and RE. These models are used exclusively for the DPM's, both in a multivariate and univariate setting.

The TWFE model's strength is to exclude time-invariant country characteristics, making it a useful tool to isolate and capture the difference observed in liberal democracy and the DPM's over time, within the same country. This has the advantage of mitigating endogeneity incurred by time-invariant factors or omitted variable bias. However, this also means that the model struggle to measure variables that don't change much over time.[220] Furthermore, it lacks the possibility to estimate between-country effects, such as whether cross-national differences in liberal democracy can be explained by varying levels of leverage.

The formula describing the TWFE estimation is shown in (9). It models the effect on the dependent variable, $Libdem_{it}$ with *i* for country and *t* for time. Independent variables are included as βX_{it} where *X* represents the independent variables.[221] The term, $\alpha_i + \gamma_t + \varepsilon_{it}$ extends OLS to a TWFE model: α_i captures country-fixed effects.[222]

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[218] Ibid.
[219] C, Birdsall (2017) The Synthetic Control Method for Comparative Case Studies: An Application Estimating the Effect of Managerial Discretion Under Performance Management, International Public, pp. 65.
[220] K, Imai. I, S, Kim. (2020). On the use of two-way fixed effects regression models for causal inference with panel data. *Political Analysis, 29*(3), pp. 405-406.
[221] D, Arkhangelsky et al. (2024). Design-robust two-way-fixed-effects regression for panel data. *Quantitative Economics, 15*(4), pp. 2-3.
K, Imai. I, S Kim. (2020), pp. 405-406.
[222] K, Imai. I, S Kim. (2020), pp. 405-406.

γ_t captures year-fixed effects, such as global shocks like COVID-19. And ε_{it} is the standard-error term, accounting for unexplained variation across countries and time.[223]

$$Libdem_{it} = \beta 1\, Leverage_{it} + \beta 2\, Linkage_{it} + \beta 3\, Governance_{it} + \alpha_i + \gamma_t + \varepsilon_{it} \quad (9)$$

Random Effects

The RE estimator complements the inherent weaknesses of the TWFE estimator by capturing the slow-moving contextual features that FE models suppress.[224] This is done by shifting the statistical lens from within-country variation over time, to also include between-country differences. This is particularly relevant for identifying how the GSP+ countries differ from one another in liberal democracy and whether this difference be attributed to increased levels of any of the DPM's. Furthermore, whereas the TWFE estimator, absorbs all time-invariant country characteristics into fixed effects, the RE model treats these characteristics as random and uncorrelated with the explanatory variables, allowing them to remain in the estimation process.[225]

Therefore, the RE estimator is particularly useful when determining the effects of democracy promotion mechanisms that change little over time but vary across countries. As such this estimator can more effectively measure the effect of variables like linkage, which is constructed using temporal variables like geographical distance, language usage, and colonial history.

$$Libdem_{\mathrm{it}} = \beta 1 Leverage_{\mathrm{it}} + \beta 2 Linkage_{\mathrm{it}} + \beta 3 Governance_{\mathrm{it}} + \alpha_{\mathrm{i}} + \varepsilon_{\mathrm{it}} \quad (10)$$

β_1 to β_3 shares the same logic as the TWFE model, with α_i representing the unobserved country-specific random intercept and ε_{it} captures the unexplained time ***t*** varying standard error across countries.[226]

3.4. Validity and Model Diagnostics

3.4.1. Internal Validity

A key strategy for securing internal validity has been the adoption of SCM. Which, by constructing weighted synthetic comparison groups, SCM produces the counterfactual outcome which can be used to estimate credible outcomes in the absence of treatment.[227] However, this necessitates that the programming phase, including donor pool selection, weighting procedures, predictor management, and adjustment of pre-treatment fit (statistically assessed using the Root Mean Square Prediction Error,

[223] Ibid.
[224] A, Bell. K, Jones.(2015), pp. 134–135.
[225] Ibid.
[226] V, N Pillai. (2017). *Panel data analysis with Stata Part 1: Fixed effects and random effects models*. Munich Personal RePEc Archive, pp. 48-49.
[227] A, Abadie. J, Vives-i-Bastida. (2022), pp 1–2.

RMSPE), is done methodically. If these steps are carefully implemented, the method provides a robust estimate of the counterfactual.[228]

This logic has systematically guided the groundwork for each GSP+ country. For example, in several GSP+ countries such as Mongolia, Sri Lanka, and Armenia (see Figures 9 to 11) the SCM shows a very good pre-treatment fit and low RMSPE values (see Table 18). This, along with the optimal weighting for these countries observed in Table 15 (see Appendix E), promotes the notion that SCM in most of these cases has succeeded in creating a robust counterfactual. With the added effect of a more reliable causal interpretation of the effect of GSP+, thereby advancing the study's internal validity.

However, this is less certain among some of the cases, such as Bolivia and Pakistan. Displaying a poor RMSPE value resulting in a weak pre-treatment fit, particularly in Pakistan. On the other hand, Bolivia's demonstrate non-optimal donor weighting, dominated by a single country (see Appendix E, Table 15). Ultimately the results for these countries should be interpreted with greater caution.

In all this systematic practise demonstrate the work that has been done to guarantee optimal SCM robustness, following the established SCM methodological principles outlined by Abadie and Vives-i-Bastida.[229]

To still identify overarching patterns, this study applies SCM consistently across several GSP+ countries, followed by a thematic cross-case comparison. This substitutes statistical aggregation with case-based pattern recognition, allowing for analytical generalization of the SCM results, thereby improving the reliability and depth of internal validity.[230]

3.4.2. External Validity

External validity in this study is limited due to the narrow sample size of only seven GSP+ countries. This means that results shouldn't be generalized to countries belonging to income groups above or below the category of low-income developing countries, eligible under EU's GSP+ criteria. Even so, democracy promotion is highly contextual driven, GSP+ may demonstrate no potential for external validity. However, this study may still demonstrate external validity with the performance of the DPM's, some of these may prove more universally applicable than for example the GSP+ treatment.

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[228] Ibid, pp. 7.
E, Ben-Michael. A, Feller. J, Rothstein. (2021). The augmented synthetic control method. Journal of the American Statistical Association, 116(536), pp. 8-9.
[229] A, Abadie. J, Vives-i-Bastida. (2022), pp 7.
[230] C, Birdsall (2017) The Synthetic Control Method for Comparative Case Studies: An Application Estimating the Effect of Managerial Discretion Under Performance Management, International Public Management Journal, 20:1, pp. 69, 72.

3.4.3. Robustness and endogeneity checks

To address concerns of endogeneity, multicollinearity and boost methodological robustness, several strategies have been implemented, a summary is presented below:

- To investigate potential covariance and endogeneity between the main independent variables and the dependent variable, three methods were applied:
    - The use of TWFE helps reduce bias from omitted time-invariant factors, making the model less vulnerable to endogeneity, although it does not provide a definitive solution to problems of covariance.[231]
    - Both univariate and multivariate regression models were estimated to compare statistical results across. The fact that these two models produced highly similar outcomes suggests that the indices may not be affected by endogeneity.
    - To further examine potential endogeneity among the indices, the study employed a system Generalized Method of Moments (system-GMM) estimation. The results confirmed the indications from the aforementioned robustness checks, indicating that endogeneity among the indices is not a concern for this study. A detailed description of the system-GMM tests is provided in Appendix D.
- Clustered standard errors: Both the TWFE and RE models apply robust standard errors clustered at the country level. This adjustment accounts for within-country correlation over time, which would otherwise lead to underestimated standard errors and, consequently, an overstatement of statistical significance. By clustering at the country level, the models provide more reliable inference regarding the relationship between GSP+ and liberal democracy.[232]
- The use of PCA reduces multicollinearity by transforming the original, potentially correlated variables into a set of uncorrelated components which then are used to create the index, re-configuring the variance than previously may have been correlated.[233]
- Methodological triangulation: The combined use of TWFE, RE, and temporal trend comparison reduces reliance on any single method and allows varied aspects of democratic change to be analysed in context.

[231] K, Imai. I, S, Kim. (2020), pp. 405-406.
[232] A, C, Cameron. D, L, Miller. (2015). A practitioner's guide to cluster-robust inference. *Journal of Human Resources, 50*(2), pp. 38-39
[233] M, Nardo et al. (2005). pp. 17-18.

4. Results

This chapter presents the empirical results based on the study's methodological framework. Before presenting the SCM results, a figure of the GSP+ countries and their levels of liberal democracy, both before and after accession to the program, is presented. Then, the results from the SCM analysis of the seven GSP+ countries are presented, both visually through graphical figures and statistically via RMSPE values and effect analyses.

In the second part of this section, the relationship between the three democracy-promoting models and levels of liberal democracy is compared using TWFE and RE.

Finally, a temporal trend comparison presented, showing trends over time in both liberal democracy and the three democracy-promoting models for the 7 GSP+ countries during a 22-year period.

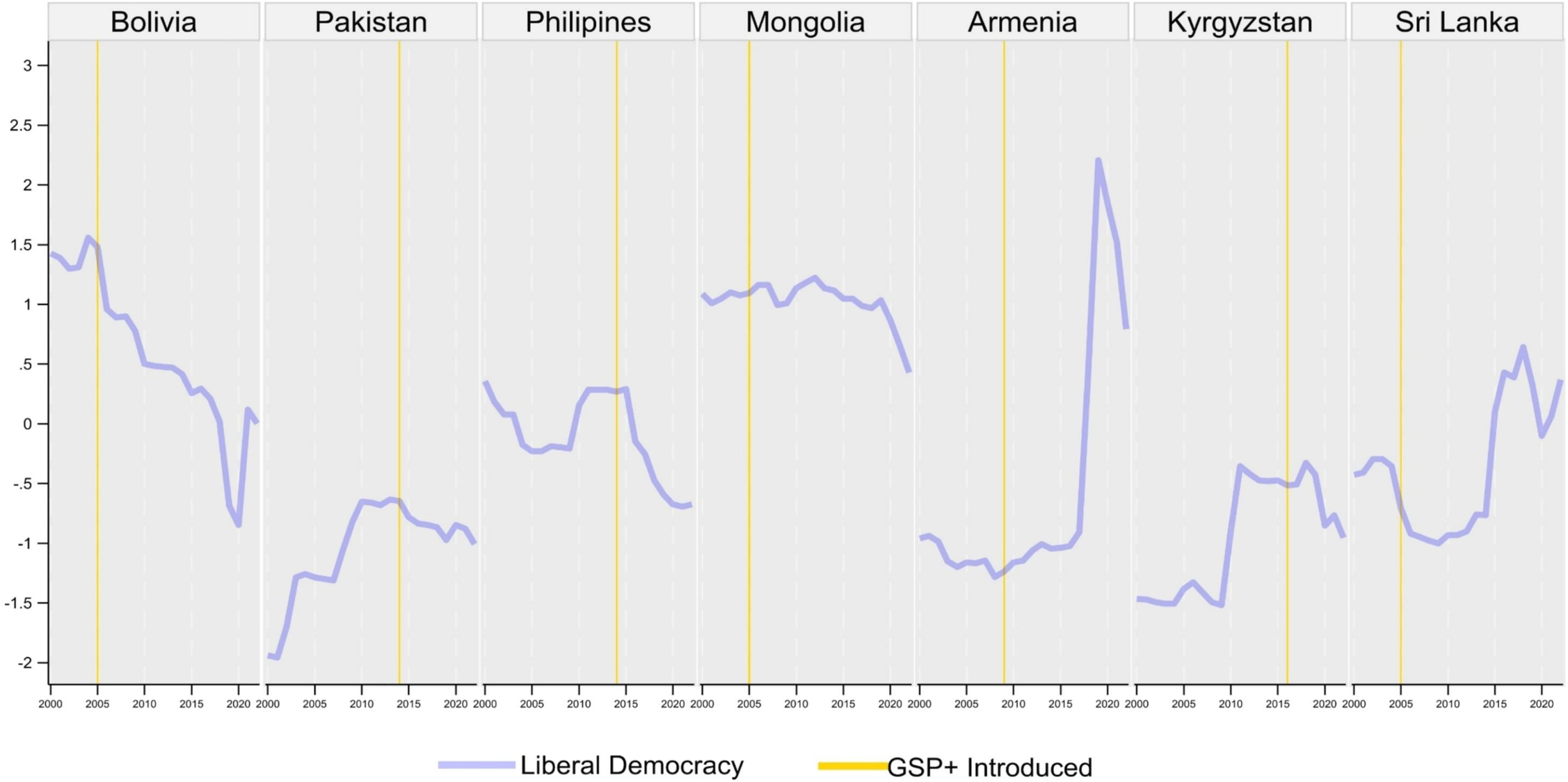
4.1. Liberal Democracy in GSP+ Countries: An Overview

Figure 8 presents raw data on liberal democracy trends for each GSP+ country, along with the year in which GSP+ was introduced. The figure reveals considerable variation in democratization trajectories. In most cases, except for Sri Lanka and Armenia, an overall decline in liberal democracy is observed following GSP+ accession, offering weak initial evidence that the scheme functions as a powerful driver of democratization.

Although, Figure 8 does not provide a counterfactual showing what would have occurred had the country not joined the GSP+. Even if democratic backsliding is evident, it remains possible that a counterfactual would reveal an even more severe decline or a different trajectory altogether. Therefore, the figure should be understood as a basic introduction to the levels of liberal democracy in each GSP+ country before and after GSP+ membership.

In the following section, the SCM tool is applied to each of these cases in order to construct a synthetic counterfactual and thereby enhance understanding of the effect of GSP+ on liberal demo

Figure 8: Temporal Trends in Liberal Democracy among GSP+ Countries



Note: Blue line indicate temporal changes of Liberal democracy, Yellow line indicate GSP+ introduction

4.2. Synthetic Control Results

The SCM results constitute the primary source for addressing the causality of the study's research question. This method produces its outcome by comparing the difference between two trajectories, one for the treated country and one for a synthetically constructed counterfactual, before and after the treatment. For this to be robust, pre-treatment trends must display a high linear similarity between the synthetic and actual country. The statistical term and estimation for such similarity fit is *Root Mean Squared Prediction Error* (RMSPE).

Table 18 shows a statistical summary of all SCM results, including the RMSPE and the estimated treatment effect for the seven GSP+ countries: Here,

- The lower RMSPE before the treatment (Pre-Treatment RMSPE) indicates that the pre-treatment trajectories of the treated country and its synthetic control is more closely matched.
- A high RMSPE after the treatment (Post-Treatment RMPSE) suggests that GSP+ may have had a noticeable effect.

This difference is displayed in Table 18, indicated by the RMSPE ratio. Here, Mongolia, Sri Lanka, Armenia, and Bolivia show particularly high deviations (RMSPE Ratio) between the synthetic control group and the GSP+ country. However, this does not necessarily mean that GSP+ has a democratization effect, as indicated by their separate treatment effect (ATE) in Table 18. In total, the ATE is separated in three categories for each GSP+ country, ATE 4- and 8 years after treatment, and an overall ATE estimate. Only when the treatment effect is positive is there an indication that the real GSP+ country has experienced democratization effect greater than its synthetic version.

Interpreting the results with this in mind it becomes evident that several countries, even among those with high RMSPE ratios — such as Sri Lanka and Bolivia — show a trend of democratic backsliding. Among all countries, only Mongolia demonstrate continued democratization after the GSP+ treatment. Similarly, Armenia, which has a high RMSPE ratio and a positive total average, indicates a lagged democratization effect. Furthermore, the total ATE, although overall negative, shows a slight overall increase in effect between the 4- and 8-year treatment effect columns. While the total average effect is positive (0,009), this positivity is strongly weighted by a strong democratization increases in Mongolia and Armenia.

Table 18 offers an initial indication that the effect of GSP+ on liberal democracy may not be universally effective. It also identifies Mongolia, Sri Lanka and Armenia as countries deserving of particular attention and analysis to confirm whether the high observed ratio can be attributed to GSP+.

Table 18: Synthetic control estimates and GSP+ effect

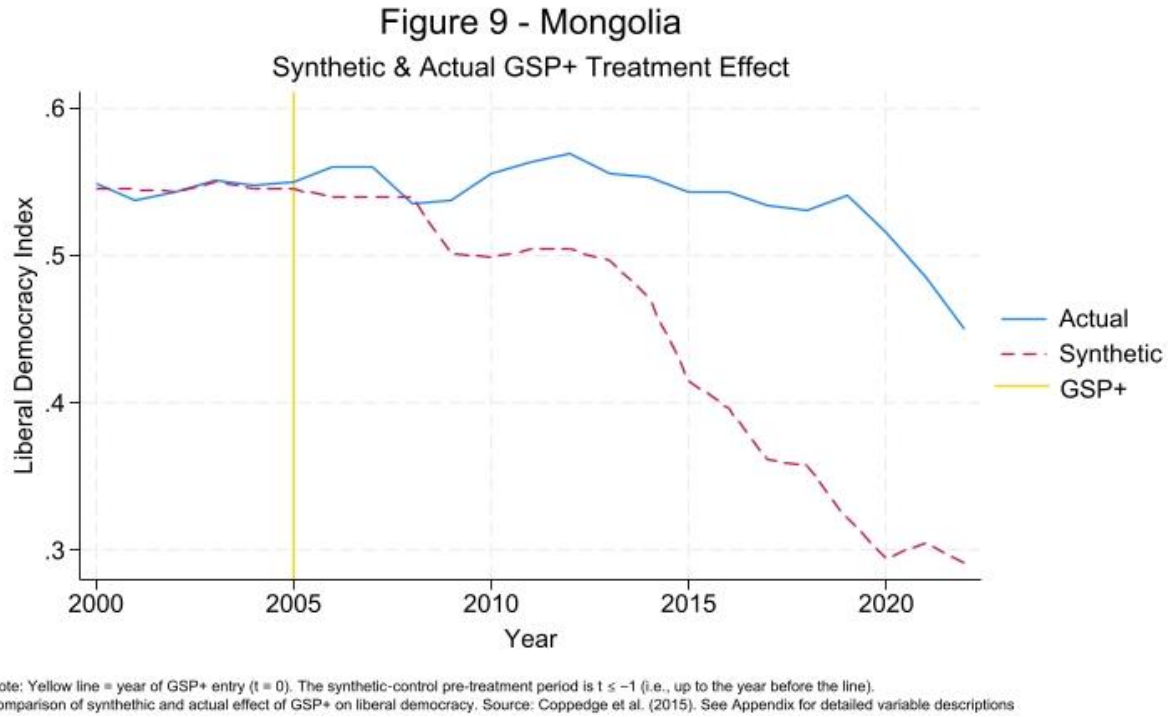
GSP+ Countries	Pre-Treatment RMSPE	Post-Treatment RMPSE	RMSPE Ratio	4-Year ATE	8-Year ATE	Overall ATE
Philippines	0,020	0,043	2,11	-0,034	-0,039	-0,039
Pakistan	0,026	0,062	2,2	-0,038	-0,054	-0,051
Mongolia	0,003	0,123	31,71	0,014	0,032	0,099
Kyrgyzstan	0,030	0,055	1,82	-0,046	-0,013	-0,013
Sri Lanka	0,003	0,081	20,43	-0,088	-0,098	-0,037
Bolivia	0,009	0,084	8,93	-0,096	-0,110	-0,070
Armenia	0,009	0,207	21.10	-0,024	-0,006	0,118
Total Average Treatment Effect:				**-0,045**	**-0,039**	**0,009**

Note: Table measures Root Mean Squared Prediction Error (RMPSE) value difference between synthetic and treatment group, followed by average treatment effect estimate. ATE = Average treatment effect

Source: For variable sources, see Appendix C, Table 6; Countries from V-dem database.

While Table 18 presents the overall statistical results of the panel estimations, the trajectorial SCM results provide an alternative perspective by focusing individually on visual indications of GSP+ effects across countries. These results are available in Figures 9 to 15 (with Figures 12-15 included in Appendix E). These figures display both pre-treatment trends between the synthetic and treated countries and of how these compare after the GSP+ treatment.

In the case of Mongolia (see Figure 9), it is evident that the large RMSPE ratio value observed in Table 18 was a result of the control group's democratic backsliding rather than a significant democratization in Mongolia. This indicates that the synthetic version of Mongolia would have experienced an even more substantial democratic backsliding than the version of Mongolia that received the GSP+ treatment. Despite this, Figure 9 still shows that the actual Mongolia periodically exhibits trends of increased democratization but, overall, a slight democratic backsliding.

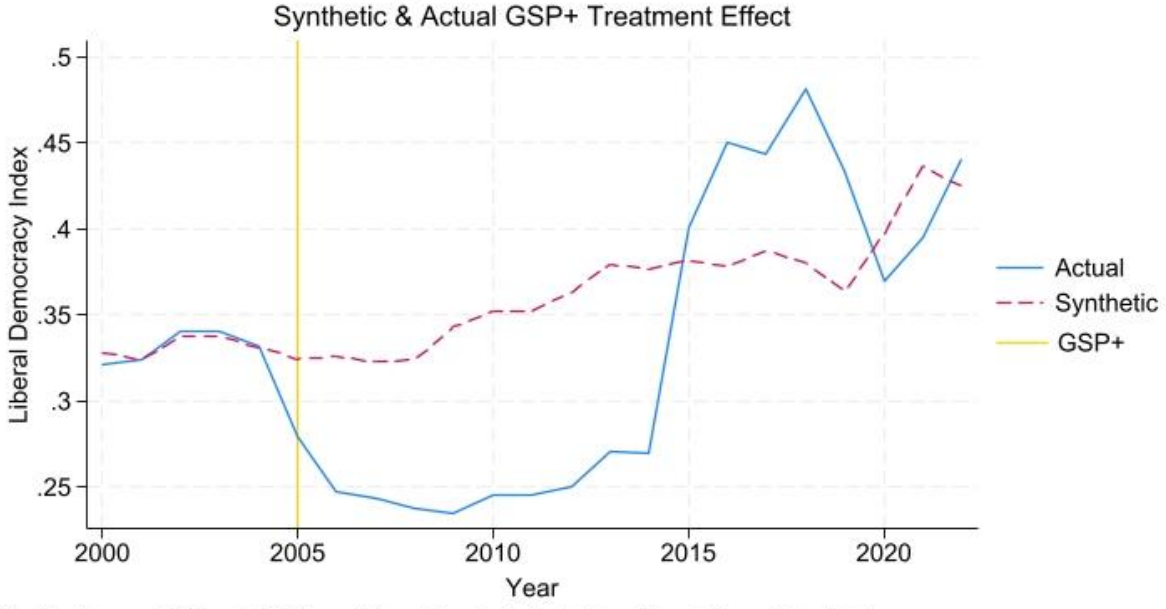


Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Turning to Sri Lanka and Armenia — countries that, like Mongolia, also display a high RMSPE ratio (Table 18) — we find differing developments. In the case of Sri Lanka (see Figure 10), both the synthetic and actual displays a strong matching pre-treatment fit. However, directly following the introduction of GSP+, the actual line reveals a sharp decline in liberal democracy, with a downward trajectory that persists until 2009. From that point, however, there is a significant increase in liberal democracy, culminating in a clear positive trend ten years post-treatment to GSP+. By contrast, the synthetic version of Sri Lanka demonstrate a relatively upward trend beginning four years after the treatment threshold. The substantial divergence between the actual and synthetic trajectories in the early post-treatment years explains the high RMSPE ratio displayed in Table 18. In this case, the evidence suggests that the introduction GSP+ may have coincided with direct democratic backsliding. However, the actual version of Sri Lanka also indicate a strong upward trend in liberal democracy by 2014, which is not mirrored in the synthetic version.

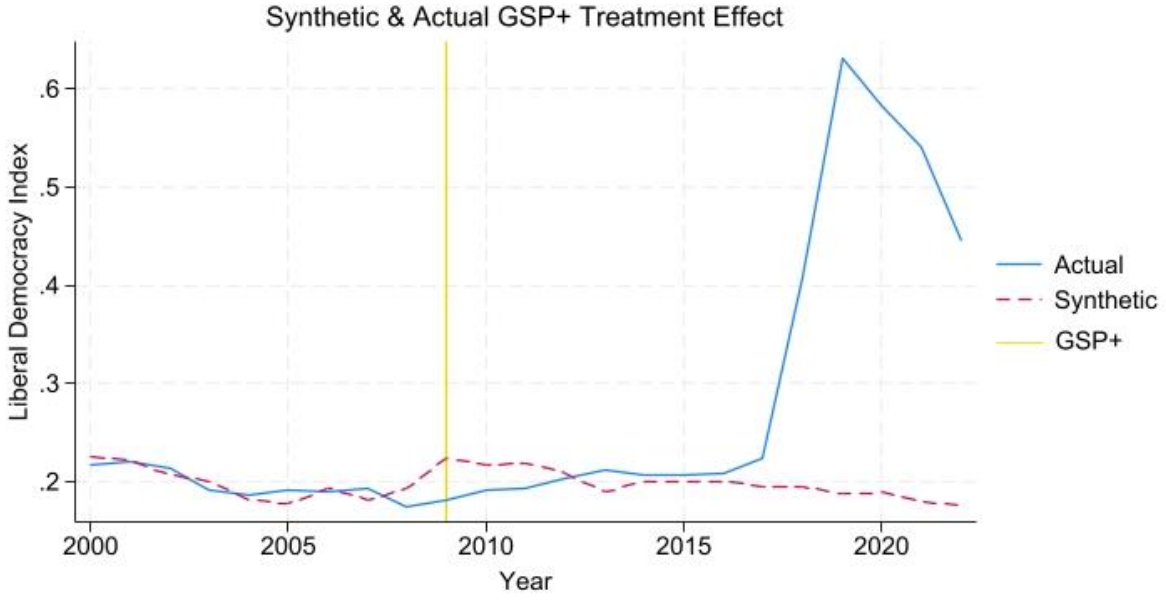
A similar lagged democratization is visible in Armenia (Figure 11), where the treated version of the country displays a strong increase in liberal democracy ten years after joining GSP+. This growth diverges from the synthetic version, which surpasses actual Armenia by the intervention period, and then showcases a linear development, eventually being eclipsed by the actual Armenia. These sudden extreme differences raise questions regarding the temporal lag in democracy promotion effects and whether the observed democratization can genuinely be attributed to GSP+.

Figure 10 - Sri Lanka



Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is $t \leq -1$ (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Figure 11 - Armenia



Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is $t \leq -1$ (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015) See Appendix for detailed variable descriptions

Together, Mongolia, Armenia, and Sri Lanka, hereafter referred to as **Group A**, represent the GSP+ countries with the most robust statistical support for the SCM, as evidenced by low pre-treatment RMSPE and high RMSPE ratios. Among them, only Armenia and Mongolia show a consistently positive average treatment effect (Table 18). However, whether the effect in Armenia can be attributed purely to GSP+ remains uncertain, as the scheme is not expected to induce such substantial changes in liberal democracy.

The remaining countries — Bolivia (Appendix E, Figure 12), Kyrgyzstan (Appendix E, Figure 13), Pakistan (Appendix E, Figure 14), and the Philippines (Appendix E, Figure 15) — collectively referred to as **Group B**, display lower RMSPE ratios; under 2.2 in all cases except Bolivia, which has a ratio of 8.93. In contrast, **Group A** countries each had RMSPE ratios above 20 (Table 18). This indicates that the difference between the synthetic version and treated country is less distinct in **Group B** post GSP+. In Bolivia's case, the higher RMSPE ratio is due to the synthetic control exhibiting a stronger democratic growth than the treated Bolivia, similar to trends observed in Sri Lanka.

The case of Bolivia (Figure 12, Appendix E) suggests that the synthetic trajectory of Bolivia outperforms the actual post-treatment trend, consistent with the average negative treatment effect in Table 18. A further review of **Group B**'s SCM Figures shows that, apart from Bolivia, most of **Group B** — in comparison to **Group A** — have weaker pre-treatment fit. This complicates causal inference by making post-treatment trajectories less reliable. Moreover, across **Group B**, the synthetic versions tend to demonstrate higher value of liberal democracy than their treated counterparts, most of which exhibit general democratic decline, although with brief exceptions for Bolivia in 2021 and Pakistan from 2011 to 2014.

To summarize, the results of the SCM reveal considerable ambiguity regarding the causal effect of GSP+. No consistent patterns emerge across countries, and many, especially Kyrgyzstan, Armenia, the Philippines, and Sri Lanka, display fluctuating trajectories of both democratic growth and decline throughout. Whereas countries like Pakistan, Mongolia, and Bolivia, show more gradual trends. Overall, Table 18 indicate that almost all countries, except for Armenia and Mongolia, display signs of democratic backsliding following GSP+ accession. These results raise the question of whether the GSP+ scheme can serve as a catalyst for liberal democracy, while also highlighting the need for further investigation of Mongolia, Armenia, and Sri Lanka to assess the role of the DPM's in these contexts.

In addition, to bring clarity to the ambiguity surrounding the effect of GSP+ interventions, three placebo synthetic control tests were conducted (Appendix E, Figures 16, 17, 18). These tests confirmed the earlier results, suggesting that GSP+ may not constitute a strong enough instrument to facilitate direct democratization. A detailed overview of the SCM placebo test analysis is provided in (Appendix E, section: SCM Placebo Results and Discussion).

4.3. TWFE and RE Regression Results

This section includes the regression results controlling for how the three DPM's correlates with the dependent variable *V2x_libdem*, which measures the existence of liberal democracy among the GSP+ countries.

To explore this dynamic, both RE and TWFE estimators are applied in two types of regression models: first, a multivariate regression where all three independent index variables are included simultaneously (Table 19); Second, a series of univariate regressions were conducted, with each independent variable tested separately against liberal democracy (Appendix F, Table 20). These univariate models primarily serve as a robustness check, with the potential to identify confounding effects between the DPM's. While univariate analyses can be informative, in this case they did not reveal any major confounding effects, demonstrated by the similar results of those of the multivariate model. Thus, the univariate result and analysis have been delegated to Appendix F.

Before presenting the results, it is important to re-emphasize that the TWFE and RE regression do not provide a causal identification of how the DPM's relate to GSP+ effect on liberal democracy. Nonetheless, the intention is that these models validate the theoretical consistency and robustness of the DPM indices. By later integrating these indices using temporal trend comparisons, they help contextualize the SCM results, providing insight into why certain GSP+ countries exhibit increases in democratization and whether such developments could be attributed to one or more of the democracy promotion mechanisms.

4.3.1. Multivariate TWFE and RE Results

Table 19 presents the results from both the RE and TWFE models indicate a statistically significant and positive relationship between good governance and the level of liberal democracy. In the RE model, the coefficient is 0.132 and highly significant, as indicated by three asterisks, whereas in the TWFE model, the coefficient is 0.130 and moderately significant, denoted by two asterisks. Thus, both models demonstrate that the good governance index correlates with increased levels of liberal democracy between both cross-country comparisons and within-country invariance.

The leverage index also shows a significant and positive correlation in the RE model, with a coefficient of 0.077 and two asterisks. However, it is not significant in the TWFE estimator, suggesting that EU leverage more clearly explains differences in liberal democracy when comparing between GSP+ countries rather than changes within a single country over time. Furthermore, although the coefficient for leverage is positive, its effect size is nearly half that of good governance, indicating that, statistically, good governance exerts a stronger effect on liberal democracy.

The linkage index model displays an almost no-existent correlation between linkage and increased liberal democracy, nor does the index reveal no statistically significant relationship in either model.

Table 19: Multivariate model: Random Effects and TWFE

	(Random Effects) V2x_libdem	(TWFE) V2x_libdem
Leverage_index	0.077**	0.075
	(0.036)	(0.042)
Linkage_index	0.013	0.025
	(0.046)	(0.083)
Governance_index	0.132***	0.130**
	(0.038)	(0.062)
Constant	0.324***	0.337***
	(0.062)	(0.047)
Observations	161	161
Overall R^2	0.090	0.054

*Significance level: *** p<0.01, ** p<0.05, * p<0.1.*
Robust standard errors clustered on 7 countries and reported in parentheses.
Yearly dummies included but not reported.
Source: See Appendix C, Table 6 for indices information.
Note: V2x_libdem = liberal democracy, governance_index = good governance

To summarize, the TWFE and RE models presented in Tables 19 indicate that good governance exhibits the strongest and most statistically significant correlation with liberal democracy among the three DPM's. Followed by leverage, which demonstrate relatively strong coefficients, but lacks statistical significance in the TWFE model. Linkage, by contrast, demonstrate low effect and shows no significant relationship in either model, highlighting its potential weakness as a static, low variance constructed index.

4.3.2. Cross-Country Temporal trend comparison

Figure 19 displays the development of liberal democracy and the three DPM's over the period 2000–2022 for the seven GSP+ countries. The vertical yellow line marks each country's accession to the GSP+ program, enabling temporal trend comparison before and after the treatment point.

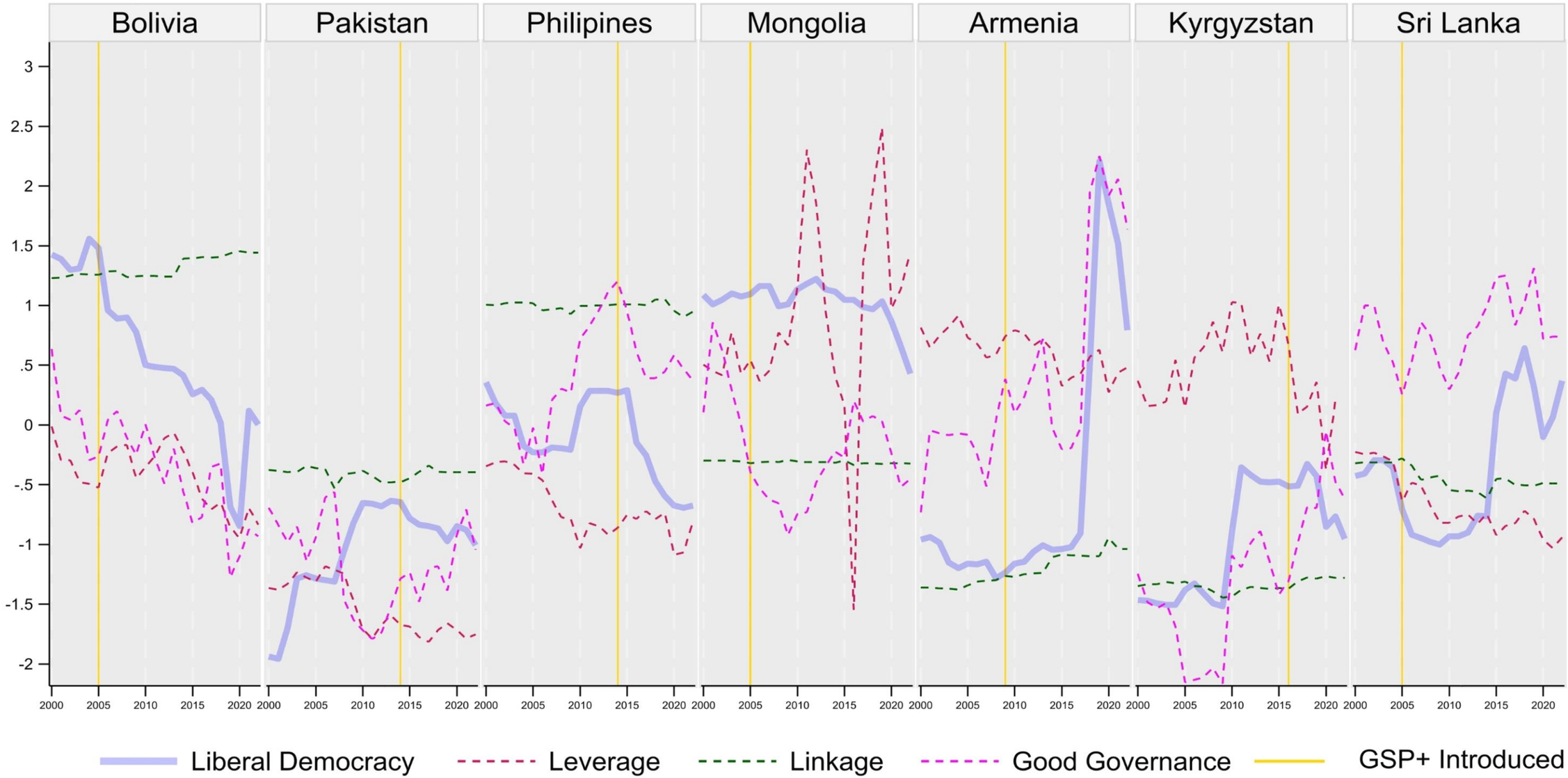
The Figure is intended to be used for identifying potential covariation, trend shifts, or lagged effects between the three democracy promotion indices and liberal democracy. For example, if liberal democracy rises in Armenia in 2015, one can examine whether leverage, linkage, and good governance show similar patterns, which may suggest an influence on the outcome variable.

To re-emphasis, the intention of this comparison is not to establish design causality but serves as an indicative visual control to contextualize the results from the regression analyses to better analyse the SCM result in following chapter.

A detailed discussion of the cross-country results can be found in Appendix G. To summarize the results of the temporal trend comparison, it confirms previous regression patters observed in the TWFE and RE models:

1. Trends of good governance consistently correlate with changes in liberal democracy, particularly in Armenia, Sri Lanka, Bolivia and the Philippines. In these cases, both increases and declines in governance frequently align with corresponding shifts in democracy levels. Moreover, countries with a higher level of good governance also in general are inherently more liberal democratic.
2. Leverage shows weaker and more fragmented correlations with liberal democracy compared to good governance, with only slight trend covariance observed in cases such as Bolivia and Kyrgyzstan, though these patterns remain modest and inconclusive. In general countries with a higher level of leverage also slightly seem to demonstrate higher liberal democracy results, which corresponds to the results the RE regressions.
3. Linkage exhibits little to no visible covariation with liberal democracy across the GSP+ countries. Likewise, there is no consistent correlation suggesting that countries with higher levels of linkage — compared to those with lower levels — experience greater liberal democracy or are more resistant to democratic backsliding. A speculative interpretation might point to the increase in linkage in Armenia around 2019, which corresponds with the increase in liberal democracy. However, the lack of overall variation in linkage is clearly observable throughout the figure, reinforcing its statistical weakness as indicated by both the TWFE and RE model results.

Figure 19: Temporal Trends of Liberal Democracy and Democracy Promotion Models in GSP+ Countries



Note: Standardized data showcasing trends among indices | Source: See table 5, 7, and 9 in appendix C for indices information.

5. Analysis

The purpose of this chapter is to analyse whether the EU's GSP+ scheme has contributed to promoting liberal democracy, according to the logic outlined in the study's four hypotheses. To achieve this, the hypotheses will be systematically analysed in reversed order:

1. Starting with the theoretical analysis of the DPM's (**H4-H2**) using the empirical results of TWFE/RE and the temporal trend comparison (Figure 19).
2. This is followed by the analysis of **H1**, which conceptualizes the causal findings of the SCM through a temporal trend comparison that integrates the three DPM indices.

Below is a short summary of the study's hypotheses:

- **H1**: The EU's GSP+ scheme is expected to foster liberal democratization among GSP+ beneficiary countries.
    - **H2**, *Linkage:* A stronger linkage between the EU and among GSP+ countries is associated with higher levels of liberal democracy.
    - **H3***, Leverage:* Higher levels of EU leverage over GSP+ countries foster compliance with conditionality and increase susceptibility to liberal reforms.
    - **H4**, *Good Governance:* GSP+ beneficiaries with stronger good governance are hypothesized to facilitate the protection of liberal democracy institutions.

5.1. H4-H2 - The Relationship Between the DPM's and Liberal Democracy

5.1.1. Good Governance and Liberal democracy (H4)

Throughout the empirical results the good governance model displayed the strongest and most robust correlation with liberal democracy among the democracy models. Hinting at Lavenex and Schimmelfennig's theory that good governance can provide a more capable instrument for global democracy promotion than linkage and leverage.[234]

The regression models reveal how the RE estimators show stronger statistical significance compared to TWFE. While this may partly reflect the RE model's ability to exploit both within- and between-country variation, the pattern is consistent with the temporal trend comparison in (Figure 19). GSP+ countries with more developed institutional systems — measured through good governance — also tend to exhibit higher levels of liberal democracy. This consistency between statistical findings and

[234] S, Lavenex. F, Schimmelfennig (2011), pp. 887-888.

descriptive trends lends further support to the theoretical framework, suggesting that governance functions as a valid indicator of democracy promotion capacity.

However, it should be underlined that this relationship is not entirely universal among the GSP+ countries. As observed in Figure 19, where certain deviations, such as developments in Pakistan (2006) and Mongolia (2004), demonstrate that liberal democracy can sometimes stabilise or even improve despite observed decay in good governance. This highlight the importance, as discussed by Dodsworth and Cheeseman, of viewing democracy promotion tools as context-dependent rather than universally effective, where development is influenced by a range of internal and external factors.[235]

Nonetheless, the overall effectiveness of the good governance index may be attributed to the successful operationalization of its theoretical underpinnings, pinpointing how measures for rule of law, anti-corruption efforts, transparency, bureaucratic quality, and administrative efficiency can be translated into liberal factors that significantly correlate with growth of liberal democracy (see Appendix E, Table 11). This confirmation is attributed to both the index's highly significant correlations and a strong effect in both the TWFE and RE regressions, and the observed covariation between liberal democracy and good governance in the temporal trend Figure (Figure 19). In all this provides strong confirmation for **H4**.

5.1.2. Leverage and Liberal Democracy (H3)

The Leverage model has for a long time been EU's most trusted tool for democracy promotion by conditionality offering liberal reforms by leveraging market access or membership. However, how does the model preform as a democracy promotion instrument in a global context where GSP+ countries may not be as dependant on access to the EU market.

Here, the results of the TWFE and RE regression provide some support for **H3**. In particular, the RE estimator shows a statistically significant positive correlation. The outcome suggests that GSP+ countries with increased dependence on the EU tend to exhibit higher levels of liberal democracy. This coincides with previous research that argues how conditionality becomes more effective in increasingly asymmetrical relationships.[236] In contrast, the TWFE model does not display any significance, suggesting that leverage in this setting does not correlate with liberal democracy over time within the same country. However, this does not imply that leverage is an ineffective tool for democracy promotion, evident by the success of EU's conditionality in its own neighbourhood. Rather, it may indicate that the EU does not command substantial leverage over these countries during this time, or that the conditionality has failed to mediate any impactful democratization effect. This could be due to competition

[235] Dodsworth. N, Cheeseman. (2018), pp. 304-306.
[236] L, A Way. S, Levitsky. (2007). pp, 50-51.

from other regional powers as discussed by Way and Levitsky, making these countries less dependent on access to the EU market.[237] Yet, the accession of these countries to GSP+ should reflect some sort of success for leverage in action. However, as a democracy promotion mechanism, there is no evidence — among the regression models and temporal trend comparison — that indicate any distinct success for leverage as tool for democratization.

The analysis suggest that leverage holds some empirical relevance as an explanatory factor for liberal democracy between country comparisons. However, in this study, leverage alone does not emerge as a distinct driver of democratization, an outcome that aligns with previous research.[238] As such, the results provide only limited support **H3**.

5.1.3. Linkage and Liberal Democracy (H2)

The Linkage model ascertain that dense transnational tie to the EU foster norm transmission and, as such, a bottom-up democratization process. In this study, linkage has been operationalised through an index primarily capturing static variables like cultural and historical ties as well geographic proximity. While this correlates with theory, this theoretical operationalizing has led to a methodological challenge where 3/5 of the components of the Linkage Index are either constant or change only very slowly over time. This made it difficult to statistically detect any correlation with changes in liberal democracy. This limitation is reflected in the regression results and Figure 19.

The assumption posited by Levitsky and Way that higher linkage would make countries more susceptible to liberal democratic values thus finds little empirical support in this study.[239] Similarly, an analysis of Figure 19 shows that the countries with the highest levels of linkage, such as Bolivia and the Philippines, experience the most severe democratic backsliding, even though high linkage has shown to raise the costs of such backsliding.[240] By contrast, Armenia with the lowest observed levels of linkage, displayed the strongest growth in liberal democracy during the study period.

Overall, the empirical results provide no support for the Linkage model, whether estimated through comparative country analysis or in terms of its correlation with liberal democracy within countries. The empirical result is therefore insufficient to confirm **H2**.

5.2. H1 - Analysis of the Causal Effect of GSP+ on Liberal Democracy

The empirical findings employed for the analysis of **H1** utilizes the SCM Figures 9 to 15. Countries displaying a potential positive correlation between GSP+ participation and liberal democracy have previously been grouped into **Group A**, consisting of Sri Lanka, Armenia, and Mongolia. Countries where no meaningful effect could be

[237] L, A Way. S, Levitsky. (2007), pp, 50-51.
[238] F, Schimmelfennig. H, Scholtz. (2008), pp. 207, 211.
[239] Ibid, pp. 383-384.
[240] S, Levitsky. L, A, Way. (2006), pp. 379.

observed are situated into **Group B**, comprising Bolivia, Kyrgyzstan, Pakistan, and the Philippines.

5.2.1. Case Analysis – Country Group A

In the case of Armenia (Figure 11), a gradual improvement in liberal democracy is observed following the country's GSP+ accension in 2009. The trajectory surpasses the synthetic control group around 2013 and accelerates sharply in 2017. Prior trend analysis of good governance in Figure 19 shows that this development coincides highly with substantial improvements in good governance in Armenia. However, there's no theoretical expectation that good governance, within the context of GSP+ conditionality, can account for the sudden democratic surge observed in 2017, 8 years after the treatment, nor is there any evidence of any alternative underlying DPM mechanisms. Instead, we know from Lavenex and Schimmelfennig's research that good governance, through the bottom-up path, gradually promotes liberal democratic norms.[241] This is not the case in Armenia 2017, rather, this development seems more closely linked to the constitutional reform implemented in 2015, which transitioned Armenia toward a more pluralistic and liberal parliamentary system, among other reform.[242] However, it cannot be ruled out that GSP+ may have indirectly contributed to the diffusion of liberal values. This development, combined with improvements in good governance, and continuous linkage growth may have reinforced bottom-up pressures for constitutional change toward a more liberal system. Furthermore, leverage levels in Armenia are among the highest after Mongolia, which may suggest that EU's leverage may have facilitated conditions for a more liberal regime.[243] Nonetheless, these remain speculative, and ultimately the evidence suggests that GSP+'s actual effect on liberal democracy, relative to the counterfactual, is very limited. Instead, the observed surge in liberal democracy more likely explained by uncontrolled factors.

Sri Lanka (Figure 10) displays a five-year period of democratic backsliding following the introduction of GSP+, a trend that strongly deviates from the synthetic control group. However, this negative trend is reversed in 2009, followed by a period of modest democratization that accelerates sharply around 2014, surpassing its synthetic counterpart. Like Armenia, the DPM trend comparison for Sri Lanka's in Figure 19 demonstrate a strong covariance between improvements in good governance and liberal democracy from 2014 onward. Nevertheless, with the same theoretical absence outlined in the Armenia case, it is unlikely that the sharp democratic improvements can be attributed to the mechanics GSP+. On the contrary, it may be explained by its absence, as Sri Lanka experienced a temporary suspension from GSP+ benefits in

[241] S, Lavenex. F, Schimmelfennig (2011), pp. 897.
[242] OSCE Parliamentary Assembly. (2017). Legal and technical reforms bring improvements in well-administered Armenian elections, but process tainted by credible information of vote-buying and pressure on voters, international observers say. https://www.oscepa.org/en/news-a-media/press-releases/press-2017/legal-and-technical-reforms-bring-improvements-in-well-administered-armenian-elections-but-process-tainted-by-credible-information-of-vote-buying-and-pressure-on-voters-international-observers-say
[243] S, Levitsky. L, Way. (2006). Pp. 382-383.

2010 due to shortcomings in fulfilling UN human rights conventions.[244] Interestingly, during the suspension period, Sri Lanka demonstrated its most significant positive trajectory in liberal democracy. Only after regaining access to GSP+ benefits in 2017 did liberal democracy begin to decline. During this suspension period Sri Lanka held presidential election in 2015, which saw the replacement of authoritarian incumbent Mahinda Rajapaksa with the more liberal-oriented Maithripala Sirisena.[245] In this case, the GSP+ mechanism most likely did not influence the regime change through its typical cooperative functions. Rather, it may have been the application of its negative conditionality of the withdrawn benefits that played a role, aligning with Dodsworth and Cheeseman's case on Myanmar sanctions, highlighting how negative conditionality can serve as an effective tool for reversing autocratization.[246] Regarding the effect of GSP+, the counterfactual outperformed the actual outcome for most of the period, which experienced democratic regression following GSP+ accession. This suggests that the incumbent government paid little attention to enforcing GSP+ conditionality. A potential underlying reason may be the EU's limited leverage in Sri Lanka following its accession to the GSP+. Nonetheless, the overall result remains too ambiguous to confirm whether the observed effect in Sri Lanka can be directly attributed to the GSP+ program rather than regime change.

Mongolia (Figure 9) differs from the rest **Group A** countries, both in the SCM results, where it displays an upward trajectory throughout compared to its synthetic counterpart. Following the GSP+ treatment the SCM model demonstrate a noticeable democracy growth compared to the synthetic version. This divergence from the synthetic control suggests that GSP+ conditionality may have contributed to this direct positive change. While both the actual and synthetic trajectories are negative in 2008 and 2009, Mongolia subsequently breaks away from this pattern, demonstrating increased resilience against autocratization. A underlying theory to this resilience may be linked to the high degree of EU leverage observed in 2010 in Figure 19, indicating that the political cost of liberal backsliding may have been too high.[247] The logic here is that Mongolia, during this period, exhibited particularly high dependence — reflected in its extremely high leverage value — highlighting the country's strong need to maintain access to GSP+ benefits. This dependence likely pressured Mongolia to comply with GSP+ conditionality, which may explain why it did not experience the same democratic backsliding observed in its synthetic counterpart. Consequently, the democratic seen in the synthetic version contrasts with Mongolia's actual trajectory, suggesting a possible deterrent effect of GSP+ conditionality through enhanced EU leverage. Out of all the GSP+ countries the results observed in Mongolia corresponds the most to theory in regards with the hypothesized effect of GSP+. The outcome highlights how

[244] European Commission. (2010). EU regrets silence of Sri Lanka regarding preferential import regime (IP/10/888). https://ec.europa.eu/commission/presscorner/detail/en/IP_10_888
[245] E, Papada. Et al. (2023). Defiance in the face of autocratization: Democracy report 2023. Varieties of Democracy (V-Dem) Institute, University of Gothenburg, pp. 27.https://www.v-dem.net/documents/29/V-dem_democracyreport2023_lowres.pdf.
[246] S, Dodsworth. N, Cheeseman. (2018), pp. 301.
[247] S, Levitsky. L, A, Way. (2006), pp. 383

the GSP+'s mechanisms, also may serve as a tool to prevent democratic backsliding, especially when EU leverage is high.

5.2.2. Case Analysis – Country Group B

In **Group B** (Bolivia – Figure 12, Kyrgyzstan – Figure 13, Pakistan – Figure 14, and the Philippines – Figure 15, all in the Appendix E), in contrast to **Group A**, all countries perform worse in liberal democracy following GSP+ accession compared to their synthetic control groups, with Table 18 demonstrating the same outcome. Ultimately, this alone highlights GSP+'s inability to facilitate sustainable conditions for liberal democratization. The question, however, is whether these developments can be nuanced through analysis of the DPM's.

In Bolivia, Figure 19 reveals a clear continuous negative covariance trend between liberal democracy and both leverage and good governance. However, the GSP+ programme does not appear to significantly reverse this pattern. in fact, throughout the observed period, the synthetic version displays higher levels of liberal democracy (Figure 12, Appendix E), indicating a non-existent GSP+ effect. Bolivia only surpasses its synthetic counterpart 15 years after GSP+ accession, which makes it unlikely that GSP+ was the primary driver of this change. Since governance levels have continuously been in decline following post-treatment (Figure 19), contradicting the assumption of increased good governance as a gradual driver of democracy.[248]

For Kyrgyzstan, the results indicate that neither GSP+ accession nor improvements in the DPM's led to significant liberal democratic development. Although a modest increase in liberal democracy was recorded shortly after GSP+ accession (2016), it was followed by a continuous negative trend. A pattern mirrored by the negative covariance in good governance (Figure 19). Throughout the post-treatment period, the synthetic counterpart consistently demonstrated higher levels of liberal democracy (Figure 13, Appendix E), showcasing the absence of any meaningful short-term effect from GSP+. However, the post-treatment period observed in Kyrgyzstan is among the shortest of all GSP+ countries, which limits the ability examine potential long-term effects. Nor does the SCM model effectively uphold pre-treatment similarity, which limits the robustness of this case.

Pakistan displays a similar negative democracy trajectory. Despite modest improvements in good governance and linkage both prior and after GSP+ accession, these developments did not appear to impact liberal democracy, which continued to decline in contrast to the synthetic control group post-GSP+ treatment.

The Philippines stands out as a particularly problematic case, where sharp democratic backsliding coincided with GSP+ accession, similarly accompanied by a decline in good governance (Figure 19). Furthermore, Figure 15 displays how the synthetic version consistently outperforms the actual country in terms of liberal democracy levels. Additionally, in this case leverage is among the lowest of all GSP+ countries. Whereas

[248] S, Lavenex. F, Schimmelfennig (2011), pp. 897.

high leverage may have prevented liberal backsliding in Mongolia, the Philippines comparatively low level suggests little incentive for the incumbent regime to effectively enforce GSP+ conditionality or to promote the mechanisms associated with the DPM's.

6. Conclusion

The goal of this study was to evaluate the EU's global democracy promotion efforts through the relatively underexplored GSP+ scheme and assess whether it can function as a tool for democracy promotion. The main research question, supported by three interlinked hypotheses, set out to explore whether the GSP+ scheme, with its benefits and conditionality, — observed through the theoretical lenses of leverage, linkage, and good governance — fosters liberal democratization among the GSP+ beneficiaries.

The field of democracy promotion is affected by several challenges, central among these is the methodological complexity. Researchers continuously demonstrate how democratic trajectories are shaped by a variety of coinciding factors, complicating the task of isolating causal relationships. Additionally, quantitative designs often struggle to account for contextual depth shaping those very trajectories. While qualitative studies tend to fall short in terms of empirical generalizability between countries, and different layers of society.

By operationalizing and quantifying the three DPM's within the framework of GSP+, this study combines theory with a triangulated mixed-method design, consisting of SCM, panel regression, and Temporal trend comparison. Thereby, attempting to address the limitations of relying solely on either quantitative or qualitative design.

The analytical framework was formulated around four hypotheses, where hypotheses 2 to 4 investigated the theoretical framework of the democracy promotion models. This was then applied to contextualize the analysis of hypothesis 1, which estimated the effect of GSP+ on liberal democracy promotion.

The analysis of hypothesis 2 to 4 found that good governance stood out as the most robust and effective model for promoting liberal democracy, showing strong and consistent correlations across regression models and the temporal trend comparison Figure. However, this correlation was not always universal, Pakistan, for instance, displayed no covariance between governance advancement and democratic development. Among the three democracy promotion models, good governance showed the strongest alignment with theoretical expectations, a reasonable indication of a successful index construction. The leverage model demonstrated the second strongest correlation with liberal democracy, particularly in the RE models measuring between-country variance. By contrast, the linkage index displayed extremely weak correlations, both within and between countries. This limited explanatory power is likely related to the static nature of its index components.

The analysis of hypothesis 1 employed a synthetic control method (SCM) to estimate the causal effect of GSP+ on liberal democracy. Overall, the outcome demonstrated weak and ambiguous results, highlighting GSP+'s inability to foster continuous democratization. Among the GSP+ countries **Group A** (Armenia, Mongolia, and Sri Lanka) demonstrated particular statistical significance, whereas no causal impact

could be observed in **Group B** (Bolivia, Pakistan, the Philippines, Kyrgyzstan). However, even among **Group A** countries, the causal interpretation of GSP+ remained ambiguous: In both Mongolia and Sri Lanka, leverage mechanism is speculated to have prevented autocratization through negative GSP+ conditionality or by pressuring incumbent regimes through the fear of suspension of much needed trade privileges. In Armenia, growth of liberal democracy coincided with increase in good governance and linkage post-GSP+ accession. Nonetheless, the sharp increase in liberal democracy observed in Armenia 2017 is incompatible with theoretical expectations, challenging the notion that the observed sharp increase solely can be attributed to the GSP+.

In conclusion, the overall empirical results demonstrate that GSP+ does not operate in a vacuum; rather, its effects are limited by a range of contextual factors, including domestic political conditions, institutional capacity, geopolitical positioning, and the presence of competing regional powers. EU's incentives may contribute meaningfully, but democratic trajectories are ultimately shaped by a complex interplay of internal and external forces. Additionally, GSP+ is for the most part a non-coercive instrument, its mechanism is not intended to force regime change, but to gradually instil liberal norm adoption. As such, it may lack the tools to produce defined measurable causal effects within the timeframe and methodological limits of this study. Nonetheless, the evidence does not entirely reject the notion that GSP+ may still serve as an amplifying mechanism, accelerating or consolidating liberal institutions when political and societal domestic conditions are favourable, as in the cases of Armenia, Mongolia, and Sri Lanka.

This study has been constrained by certain limitations. Firstly, the treated sample size of seven GSP+ countries, while favourable for SCM and contextual analysis, limits the statistical power and generalizability of the results. Secondly, the panel regressions lacked a control group, preventing the possibility of a counterfactual analysis for hypothesis 2 and 4, which could've strengthened validity. Thirdly, the operationalization of the three models as statistical indices inevitably simplifies complex theoretical instruments, even though they are grounded in established theory; While the good governance index demonstrated a strong performance, the measures for leverage and especially linkage were more limited and should be interpreted with caution.

Future research is recommended to further the development of the indices by fulfilling data limits and refining their contents, particularly those for linkage. Since the hypothesised between-country comparison failed to produce meaningful results, incorporating additional sub-variables that are inherently non-temporal could provide an alternative approach to improve the measurement of the linkage index — for instance, transnational mobility, tourism, or EU's Erasmus exchange programs. Furthermore, developing the methodology application of the democracy promotion indices, allowing for advanced counterfactual analysis would allow for a more accurately understanding of the effect of GSP+. Future research should adopt

increasingly mixed method approaches capable of capturing both empirical patterns and country specific challenges; As demonstrated in this study, statistical evidence alone cannot fully explain when and why democracy promotion efforts succeed or fail. Only by combining qualitative and quantitative methods can informative approaches to democracy promotion be identified, which in turn can guide the design towards more effective democracy promotion strategies.

In closing, this thesis contributes to a deeper understanding of how the EU, through the GSP+ instrument, can promote liberal democracy in developing countries. While the study confirms theoretical arguments of the good governance model and less so leverage, it also makes clear that GSP+ cannot be regarded as a guaranteed catalyst for democratization. Instead, it should be understood as an amplifying tool, one that in the long run, can reinforce reform trajectories. This insight should inform both democracy promoters designing similar incentive-based instruments and researchers seeking to measure the highly complex dynamics of democracy promotion in a globalized world.

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Appendices

- *Appendices A* and *B:* present Figures and discussions around the study's theory chapters.
- *Appendix C:* contains methodological data and variable details, with a particular focus on index construction.
- *Appendix D:* Investigates panel data endogeneity between the DPM indices.
- *Appendix E:* Present Tables and Figures relevant to the SCM design, and later its results.
- *Appendix F:* contains univariate TWFE/RE regression result and discussion.
- *Appendix G:* contains a detailed discussions that develops the results of Figure 19.

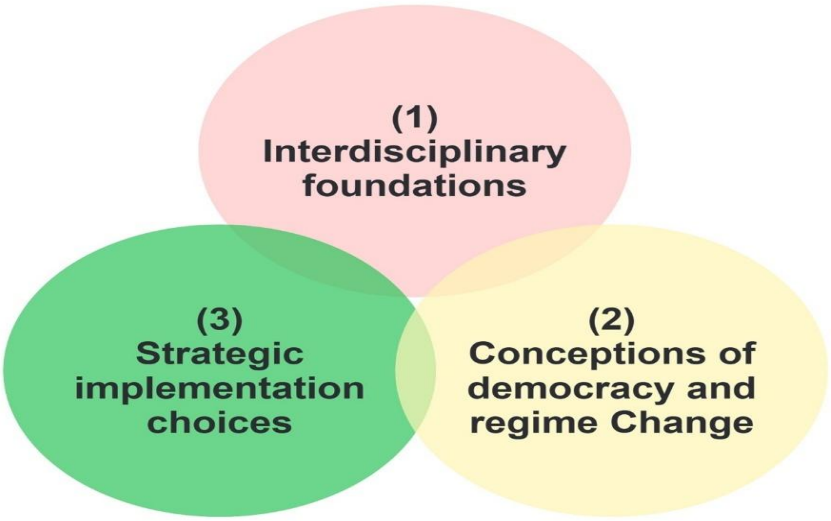
Appendix A – Previous Research

Detailed description of the Intrinsic and Instrumental Approach

- The *intrinsic approach:* promotes democracy as a normative goal in itself: democracy is worth supporting because all people deserve to live under liberal values. This view often justifies the stronger protection of democratic institutions and values, including, in some cases, the use of coercive means[249] For example, this can be seen in Western support for Ukraine today.
- The *instrumental approach*: on the other hand, sees democracy promotion to achieve other objectives—such as peace, trade, development, or integration into a multilateral order. The reasoning is that democracies are more likely to trade and cooperate with each other than autocracies.[250] This perspective also draws on another.[251]

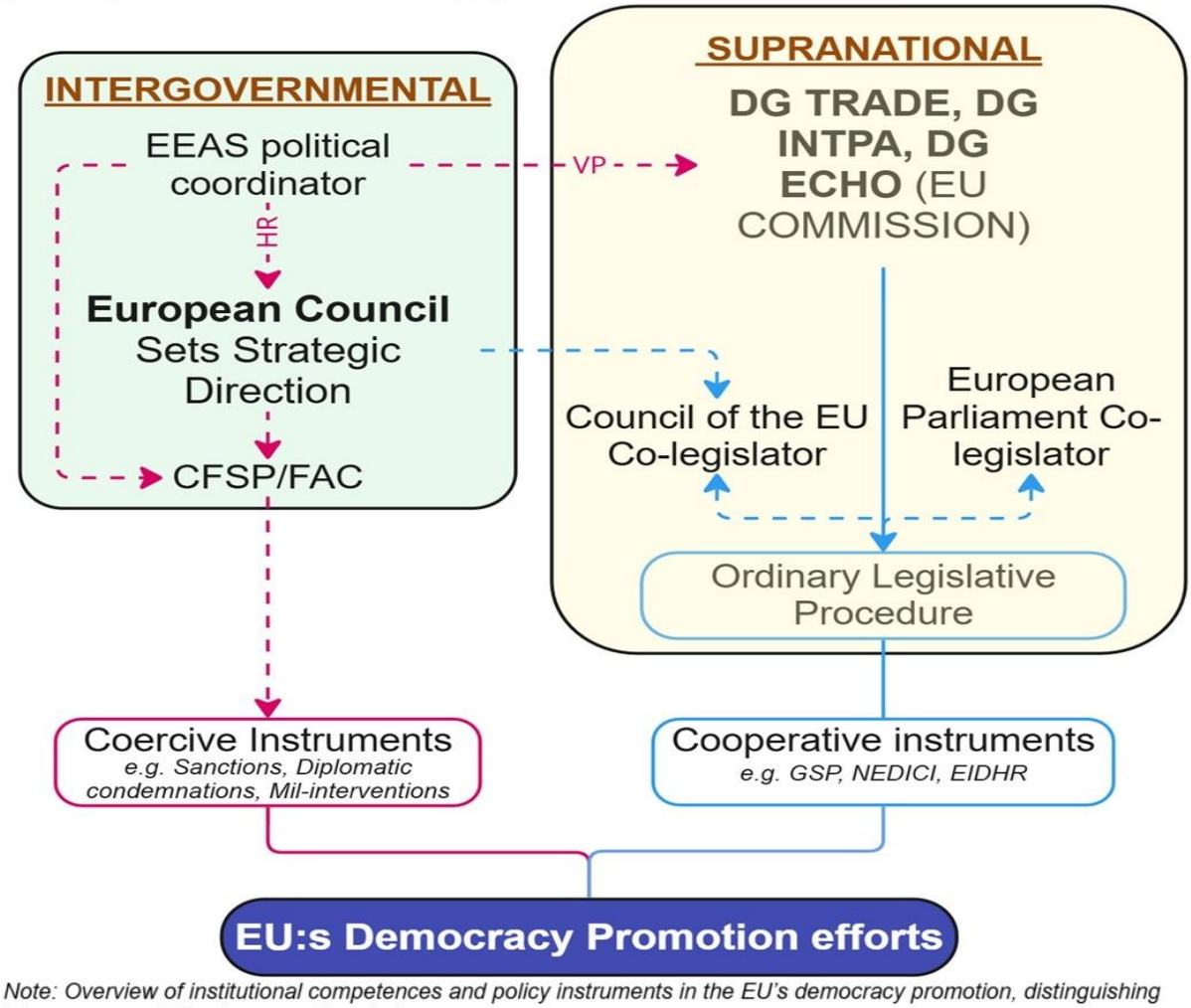
[249] J, Leininger. S, Richter. (2023), pp. 8.
[250] E, D, Mansfield. H, V, Milner. B, P,Rosendorff. (2002). Why democracies cooperate more: Electoral control and international trade agreements. *International Organization, 56*(3), pp. 503-504.
[251] J, Leininger. S, Richter. (2023), pp. 8.

Figure 2: Three Overlapping Rationales for Democracy Promotion



Note: These rationales continuously interact and shape one Another, influecing the outcome of Democracy promotin ventures
Source: J, Leininger. S, Richter. (2023), pp. 5.

Figure 4: institutional structure of eu foreign policy and democracy promotion



Note: Overview of institutional competences and policy instruments in the EU's democracy promotion, distinguishing intergovernmental and supranational roles.
Source: European Union. (2007). Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community. Official Journal of the European Union, C 306.

Appendix B – GSP

Table 3: List of Conventions required for GSP/EBA and GSP+

GSP/EBA/ GSP+	Name of Convention	Category
1	Convention on the Prevention and Punishment of the Crime of Genocide (1948)	Human Rights
2	International Convention on the Elimination of All Forms of Racial Discrimination (1965)	Human Rights
3	International Covenant on Civil and Political Rights (1966)	Human Rights
4	International Covenant on Economic, Social and Cultural Rights (1966)	Human Rights
5	Convention on the Elimination of All Forms of Discrimination Against Women (1979)	Human Rights
6	Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (1984)	Human Rights
7	Convention on the Rights of the Child (1989)	Human Rights
8	Convention concerning Forced or Compulsory Labour, No. 29 (1930)	Labour Rights (ILO)
9	Convention concerning Freedom of Association and Protection of the Right to Organise, No. 87 (1948)	Labour Rights (ILO)
10	Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively, No. 98 (1949)	Labour Rights (ILO)
11	Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No. 100 (1951)	Labour Rights (ILO)
12	Convention concerning the Abolition of Forced Labour, No. 105 (1957)	Labour Rights (ILO)
13	Convention concerning Discrimination in Respect of Employment and Occupation, No. 111 (1958)	Labour Rights (ILO)
14	Convention concerning Minimum Age for Admission to Employment, No. 138 (1973)	Labour Rights (ILO)
15	Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, No. 182 (1999)	Labour Rights (ILO)
GSP+	Name of Convention	Category
16	Convention on International Trade in Endangered Species of Wild Fauna and Flora (1973)	Environment
17	Montreal Protocol on Substances that Deplete the Ozone Layer (1987)	Environment
18	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (1989)	Environment
19	Convention on Biological Diversity (1992)	Environment
20	The United Nations Framework Convention on Climate Change (1992)	Environment
21	Cartagena Protocol on Biosafety (2000)	Environment
22	Stockholm Convention on Persistent Organic Pollutants (2001)	Environment
23	Kyoto Protocol to the United Nations Framework Convention on Climate Change (1998)	Environment
24	United Nations Single Convention on Narcotic Drugs (1961)	Governance / Narcotics
25	United Nations Convention on Psychotropic Substances (1971)	Governance / Narcotics
26	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)	Governance / Narcotics
27	United Nations Convention against Corruption (2004)	Governance / Anti-Corruption

Source: European Parliament and the Council. (2012). Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012, GSP Scheme, Annex VIII.

Table: 4 List of GSP beneficiary countries.

List of GSP beneficiary countries

(as of 1 January 2022)

	Standard GSP	GSP+	EBA	
1.	Congo	Bolivia	Afghanistan	Nepal
2.	Cook Islands	Cabo Verde	Angola	Niger
3.	India	Kyrgyzstan	Bangladesh	Rwanda
4.	Indonesia	Mongolia	Benin	Sao Tome & Principe
5.	Kenya	Pakistan	Bhutan	Senegal
6.	Micronesia	Philippines	Burkina Faso	Sierra Leone
7.	Nigeria	Sri Lanka	Burundi	Solomon Islands
8.	Niue	Uzbekistan	Cambodia	Somalia
9.	Syria		Central African Rep.	South Sudan
10.	Tajikistan		Chad	Sudan
11.			Comoros	Tanzania
12.			Congo (DRC)	Timor-Leste
13.			Djibouti	Togo
14.			Eritrea	Tuvalu
15.			Ethiopia	Uganda
16.			Gambia	Vanuatu
17.			Guinea	Yemen
18.			Guinea-Bissau	Zambia
19.			Haiti	
20.			Kiribati	
21.			Lao PDR	
22.			Lesotho	
23.			Liberia	
24.			Madagascar	
25.			Malawi	
26.			Mali	
27.			Mauritania	
28.			Myanmar	

Source: European Commission. (2023). Factsheet on the GSP Report: Joint report to the European Parliament and the Council on the Generalised Scheme of Preferences covering the period 2020–2022. Directorate-General for Trade.

GSP Criteria and Benefits:

- The standard GSP arrangement targets low and lower-middle-income countries, as defined by the World Bank. A country is no longer eligible for GSP if it exceeds the income threshold for three consecutive years.[252]
- Countries that already benefit from bilateral trade agreements granting better access to the EU market are excluded from the GSP.[253]
- GSP beneficiaries must not be in serious or systematic violation of core human rights and labor rights as outlined in key UN and ILO conventions (see Appendix B, Table 3).
- The scheme grants tariff reductions on 6,350 product lines. Sensitive products—for example, textiles—receive only partial benefits (e.g. 3.5% VAT reduction, 30% cut in MFN duties, and 20% lower import duties), while non-sensitive products can be exported duty-free.[254]

EBA Criteria and Benefits:

- To qualify for Everything But Arms, a country must be listed by the UN as a Least Developed Country.[255]
- Unlike in GSP and GSP+, EBA countries are allowed to sign bilateral trade deals with the EU while still enjoying EBA benefits.[256]
- EBA recipients are subject to the same human rights and labor rights requirements as GSP beneficiaries (see Appendix A: Table 3).[257]
- The scheme offers full duty-free, quota-free access to the EU for all products—except arms and ammunition.[258]

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[252] European Parliament and Council of the European Union. (2012). *Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalized tariff preferences and repealing Council Regulation (EC) No 732/2008*. Official Journal of the European Union, L 303, 1–82. Chapter 2, Article 4 https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012R0978

[253] Ibid

[254] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 11. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf

[255] European Parliament and Council of the European Union. (2012). *Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalized tariff preferences and repealing Council Regulation (EC) No 732/2008*. Official Journal of the European Union, L 303, 1–82. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32012R0978

[256] Ibid

[257] Ibid

[258] United Nations. (2022). Generalized System of Preferences: Handbook on the Scheme of the European Union (Rev. 5). United Nations Conference on Trade and Development (UNCTAD), pp. 11. https://unctad.org/system/files/official-document/itcdtsbmisc25rev5_en.pdf

Appendix C – Variable Descriptives

Table 5: Variable Descriptive Statistics

Variables	Observations	Mean	Standard Deviation	Min Value	Max Value
Dependent – *Liberal democracy*	1346	.266	.166	.005	.666
Independent Indices					
• *Leverage*	161	0	.859	-1.47	1.99
• *Linkage*	161	0	1.13	-1.98	1.37
• *Good governance*	161	-0.46	.971	-2.35	3.50

Note: Liberal Democracy = v2x_libdem
Source: For variable sources, see Appendix C, Table 6.

Application of PCA: The Case of Leverage

PCA requires the included variables to be standardized using the z-score formula (2), which places the mean of the variables at 0 and the standard deviation at 1. This is essential because PCA is sensitive to scale differences. Without standardization, variables with larger numerical values would be disproportionately weighted.[259]

$$Z = \frac{X-\mu}{\sigma} \quad (2)$$

When PCA is conducted, multiple PC dimensions are constructed using variable sets, with correlations analysed from different angles. PCA provides information on how the variables interact and how much of the dataset's total variance is explained by each component.[260] PCA then analyses how, from a statistical standpoint, an index can best be constructed to explain as much of the variance as possible among the included variables.[261] This process is shown in Table 9, — displaying the Leverage index — where PC1–PC3 represent the principal components, and the internal values reflect correlations among the 4 sub-variables.

The next step in the PCA process is presented in Table 10, which details the construction of the Leverage Index. This includes the PCA results for each PC and indicates which component has the strongest explanatory power, measured by the

[259] I M, Nardo et al. (2005). *Tools for composite indicators building* (EUR 21682 EN). Institute for the Protection and Security of the Citizen, Econometrics and Statistical Support to Antifraud Unit. European Commission, Joint Research Centre, pp. 17-18.
[260] Ibid.
[261] Ibid.

highest eigenvalue and proportion of variance.[262] There is no strict consensus in the literature on the exact strategy for combining principal components into a final index. For this study, two commonly accepted criteria are followed:[263]

Table 9: PCA Descriptives for Leverage Index

Variables	Descriptives	PC1	PC2	PC3
export_toEU_z	Share of exports directed to the EU	0,46	0,426	-0,438
bilateral_treaties_z	Bilateral Treaties with the EU	0,206	0,651	0,717
DAC_Tech_z	Technical assistance and Aid from DAC(EU)	0,492	0,474	0,149
DAC_ODA_z	Official Development Aid received (% of GNI)	0,473	0,431	0,368

Note: Table showcase PCA results and dimensions for sub-variables used for creating leverage index
Source: For variable sources, see Appendix C, Table 6.

- Variance Explained Criterion: Components are included until 80–90% of the total variance is explained.
- Jolliffe Criterion: Components with an eigenvalue below 0.7 are excluded.

Table 10: PCA Descriptives for Leverage Index

Component	Eigenvalue	Proportion of Variance(%)	Cumulative Variance (%)
PC1	2,562	51,25	51,25
PC2	1,137	22,74	73,99
PC3	0,785	15,71	89,71
PC4-PC5	*<0,7*	*Not retained*	*Not used*

Note: Table showcase statistical values for the component dimensions analysed by the PCA,
Source: For variable sources, see Appendix C, Table 6.

The final construction and weighting of the Leverage index is shown in formula (3). This approach captures 90% of the total variance, and none of the PCs included fall below the 0.7 eigenvalue threshold. Each PC is weighed according to the share of variance it explains, as shown in Table 10. For instance, since PC1 accounts for 51% of the dataset's variance, it receives a weight of 0.51 in the formula. This weighting method follows conventional PCA practice and represents a systematic, data-driven approach to index construction.[264] Any deviations from this rule are for purely to avoid overlapping similar variables, where certain variables require minor weight adjustments.

$$Leverage_{Index} = (0.51 \times PC1) + (0.23 \times PC2) + (0.16 \times PC3) \quad .(3)$$

[262] Ibid, pp. 19.
[263] Ibid, pp. 21-22.
[264] D, Broby. W, Smyth. (2025). On the use of principal components analysis in index construction. *Financial Statistical Journal, 8*(1), pp. 12

The following section outlines the theoretical rationale for the sub-variables comprising the leverage index:

- *export_toEU_z* – This indicator seeks to capture the EU's leverage over GSP+ countries through trade. Specifically, it measures the share of every GSP+ country's total exports directed to the EU internal market. A higher value is expected to indicate a greater dependency on access to the EU market, suggesting that the country is particularly vulnerable to changes in tariffs or trade policies and thus more susceptible to arrangements that reduce trade barriers in exchange for compliance with EU conditionality.[265]
- *bilateral_treaties_z* – This sub-variable measures the number of bilateral treaties between the EU and the GSP+ countries. In principle, bilateral treaties are negotiated in good faith and should not inherently create asymmetrical relationships. However, in the context of GSP+ countries, the expectation is that these countries are generally more dependent on partnership with the EU than vice versa. Furthermore, since EU often include clauses related to human rights and democracy in their international treaties, this variable also indirectly reflects the degree of liberal conditionality imposed by the EU. A higher number of treaties thus signals both increased formalized engagement and potential leverage.[266]
- *DAC_Tech_z* – This sub-variable measures the technical assistance and aid provided by Development Assistance Committee (DAC) countries — limited to the EU27 — to GSP+ countries. Technical assistance refers to technical support in infrastructure, knowledge transfer, and capacity building. Countries that are big recipients of such aid are expected to demonstrate dependency on the EU. Thereby increasing EU leverage.[267]
- *DAC_ODA_z* -This sub-variable captures the yearly amount of official development assistance (ODA) received by a GSP+ country from the combined DAC countries within the EU27, expressed relative to the recipient country's gross national income (GNI). Countries receiving higher levels of ODA are anticipated to be more susceptible to EU influence, enhancing leverage. While ODA is not typically leveraged as a tool of direct negotiation, high levels of aid should still indicate structural dependency and an underlying asymmetry between the EU and GSP+ country.[268]

[265] S, Keukeleire. T, Delreux. (2022), pp. 226
L, A Way. S, Levitsky. (2007), pp, 50-51.
[266] I, Zamfir. (2019). Human rights in EU trade agreements: The human rights clause and its application (EPRS Briefing PE 637.975). European Parliamentary Research Service.
[267] J, Cassarino. (2025). Using development aid as a leverage in the EU's external relations: Challenges and consequences. *Journal of Immigrant & Refugee Studies*, 23(1), pp. 2-4.
[268] Ibid.

Linkage Index Construction

A detailed description of the PCA correlations can be found in Table 11 and Table 12. The process of creating the linkage index follows the same logic and guidelines outlined in the PCA leverage section.

Table 12 presents all PCs for the Linkage Index. PCA revealed that 2 out of 6 components, PC1 and PC2 together inherited enough variance to reach the criterion of at least 80%, collectively explaining 88% of the total variance, with both exceeding the 0.7 eigenvalue threshold. Therefore, the weights in the index formula (4) matches variance the value of PC1 and PC2.

$$Linkage_{Index} = (0.62 \times PC1) + (0.26 \times PC2) \quad (4)$$

Table 11: PCA Descriptives for Linkage Index

Variable	Description	PC1	PC2
fh_feb_z	Freedom of Expression and Belief	0,165	0,827
dr_pg_z	Political Globalization, NGOs	0,475	0,332
comlang_ethno_z	Shared Ethnic Language	0,492	-0,072
colony_z	Colonial Ties	0,52	0,24
dist_inv	Latitude and Longitude Distance Between Capitals	0,482	0,377

Note: Table showcase PCA results and dimensions for sub-variables used for creating Linkage index
Source: For variable sources, see Appendix C, Table 6.

Table 12: PCA Descriptives for Linkage Index

Component	Eigenvalue	Variance Explained (%)	Cumulative Variance (%)
PC1	3,641	61,95	61,9
PC2	1,373	25,85	87,74
PC3-6	*< 0,7*	*Not retained*	*Not used*

Note: Table showcase statistical values for the component dimensions analysed by the PCA,
Source: For variable sources, see Appendix C, Table 6.

The following section outlines the theoretical rationale for the sub-variables comprising the linkage index:

- *fh_feb_z* - This index variable estimates freedom of expression and belief. The rationale for including it is that countries experiencing high linkage with the EU are more likely to exhibit a tolerant society and stronger protection of freedom of expression. By capturing these dimensions, the variable serves as a proxy for the societal openness that may demonstrate increased engagement with EU norms and values, thereby reflecting a form of linkage.
- *dr_pg_z* – This variable captures political globalization. Countries that are more politically globalized are exposed to pratices of western-style governance and international institutions. While high political globalization is not a guarantee for linkage with the EU, it is expected that higher values correlate with stronger

linkage.[269] More importantly, this variable also controls for the frequency of NGOs operating within the GSP+ country. Increased NGO activity can foster micro-level exchanges, which may promote the transfer of knowledge, values, and practices. While not all NGOs explicitly promote Western liberal values, human rights, or democracy, a higher presence of such organizations is anticipated to correspond with increased linkage.[270]

- *comlang_ethno_z* – This variable measures whether a sizable portion of the GSP+ country's population shares an ethnic language with any of the EU member states. Such linguistic ties are expected to make European values more accessible to the population through media, trade, and other forms of exchange, thereby over-time facilitating stronger linkage with EU societal norms and practices.[271]
- *colony_z* – This variable controls for whether the GSP+ country was previously colonized by a European power within the past 150 years (including Great Britain). Previously colonized countries were likely to have experienced prolonged exposure to Western-style institutions and governance, establishing structural frameworks that may persist across generations. Although colonialism was characterized by asymmetrical power relations and often severe oppression, it nonetheless created enduring systems of dependency and linkage between Europe and the colonized country, which may still facilitate economical and micro-level transnational exchanges.[272]
- *dist_inv* – This variable measures the geographical distance (latitude and longitude) between the GSP+ country's capital and Brussels. It is expected that countries located closer to Europe are more exposed to European values, trade, and micro-level exchanges, facilitating stronger linkage compared to more distant countries. While this approach simplifies reality by not accounting for factors such as sea route accessibility or regional connectivity, it nonetheless may provide a meaningful and interpretable estimate of potential linkage.[273]

[269] A, Dreher. M, Gassebner. L,H, Siemers (2010). *Globalization, economic freedom and human rights* (Working Paper No. 115). University of Göttingen, Center for European, Governance and Economic Development Research, pp. 31-32.
[270] C, E. Dalpino, C. E. (2001). *Does globalization promote democracy?: An early assessment.* Brookings Institution.
[271] T, Kyritsis, et al. (2022). Shared cultural ancestry predicts the global diffusion of democracy. *Evolutionary Human Sciences*, 4, pp. 13-15.
[272] M, D, Fails. J, Krieckhaus. (2014). Colonialism, development and democratization: Beyond national colonial legacies. Comparative Democratization, 12(1), 1–30. American Political Science Association, pp. 6, 10, 11, 19.
[273] T, Kyritsis, et al. (2022). Shared cultural ancestry predicts the global diffusion of democracy. *Evolutionary Human Sciences*, 4, pp. 13-15.

Good governance Index Construction

Table 13 presents the descriptives of the PCA results. In this case, PC1 alone explained 77% of the variance (Table 14). No other components met the Jolliffe criterion, so the index was constructed using PC1 only. A minor weighting correction was also applied to reduce overcompensation in overlapping corruption variables — the rationale for this is discussed in more detail in the end of this section. The final formula is shown in (5):

$$Good\ Governance = (1.00 \times PC_1) - (0.14 \times wbgi\_cce\_z) - (0.08 \times fh\_fog\_z) \quad (5)$$

Table 13: PCA Descriptives for Good Governance Index

Variable	Description	PC1
wbgi_cce_z	Control of Corruption, Estimate	0,519
wbgi_gee_z	Government Effectiveness and Quality of Bureaucracy	0,473
fh_fog_z	Functioning and Transparency of the Legislative	0,491
v2x_rule_z	Rule of Law; Judical Freedoms, Enforcement, Lawful and Justice	0,515

Note: Table showcase PCA results and dimensions for sub-variables used for creating Good governance index. Source: For variable sources, see Appendix C, Table 6.

Table 14: PCA Descriptives for Good Governance Index

Component	Eigenvalue	Variance Explained (%)	Cumulative Variance (%)
PC1	3,09	77,25	77,25
PC2-PC4	*< 0.7*	*Not retained*	*Not used*

Note: Table showcase statistical values for the component dimensions analysed by the PCA. For variable sources, see Appendix C, Table 6.

The following section outlines the theoretical rationale for the sub-variables comprising the good governance index:

- *wbgi_cce_z* – this sub-variable index is included to estimate the control of corruption, it captures perceptions of the extent to which public power is exercised for private gain, including all forms of corruption. The expectation is that GSP+ countries with higher a higher control of corruption also corresponds to structures of good governance, as good governance attempts to remove corruption completely.[274]
- *wbgi_gee_z* – This sub-variable index is aggregated to capture government effectiveness. This includes the perception of the quality of public and civil services, its autonomy towards political pressure and the quality of policy implementation.

[274] E, Drapalová. (2019). Corruption and the crisis of democracy: The link between corruption and the weakening of democratic institutions. Transparency International, pp. 10-11. https://knowledgehub.transparency.org/assets/uploads/helpdesk/Corruption-and-Crisis-of-Democracy_2019.pdf

Ideally, it is expected that a higher value of government effectiveness corresponds with structures underlying good governance.[275]

- *fh_fog_z* – This sub-variable index captures the functioning of government. This involves controls for the accountability of the government, local officials and the legislature and whether they operate towards the electorate with openness and transparency. Naturally it is expected that a higher value of functioning of government correlates with values of good governance, complementing the other sub-variables with increased estimation of transparency and accountability.[276]
- *v2x_rule_z* – this index is used as sub-variable to control for the extent to which the rule of law is upheld by officials and government of the GSP+ countries. This includes measures for judicial and official autonomy in which levels of their predictability, corruption and impartially is controlled for. It is expected that a country demonstrating a higher value of rule of law inherent structural features that implies a system of good governance.[277]

Most of the sub-variables included in the good governance index are broad indices intended to capture the complexity of governance structures. While this coverage is not conceptually problematic, there is a risk of statistical interrelationships; for example, both *wbgi_cce* and *fh_fog* include measures related to corruption. Such overlap could overstate the influence of corruption control in the composite index.[278] To mitigate this potential multicollinearity, the weights of the overlapping variables were slightly reduced during aggregation, while respecting the consistency of the factor loadings and directional alignment identified through the PCA analysis.

[275] United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). (2009). *What is good governance?* United Nations, pp. 3.
[276] Ibid.
[277] Ibid.
[278] D, Kaufmann. A, Kraay. (2024). The Worldwide Governance Indicators: Methodology and 2024 Update. The World Bank, pp. 5.

Table 6: Complete Variable list, Including Source

Leverage Index	
export_toEU	International Monetary Fund. (2025). Directon of Trade Statistics (DOTS) Retrieved from:
bilateral_treaties	Retrieved from: https://www.consilium.europa.eu/en/documents/treaties-agreements/?Title=andDateType=signatureandDateFrom=andDateTo=andLang=enandDoSearch=true
DAC_Tech_z	Organization for Economic Co-operation and Development. (2025). Official development assistance: Technical cooperation, disbursements. OECD Data Explorer.
DAC_ODA	Organization for Economic Co-operation and Development (OECD). (2025). DAC2A: Aid (ODA) disbursements to countries and regions. OECD International Development Statistics.
Linkage Index	
fh_feb	Freedom House. (2024). Freedom in the world 2024. https://freedomhouse.org/report/freedom-world
dr_pg	Dreher, A. (2006). Does globalization affect growth? Evidence from a new index of globalization. Applied Economics, 38(10), 1091–1110.
comlang_ethno	CEPII. (2024). Gravity database. Centre d'Études Prospectives et d'Informations Internationales (CEPII).
colony	CEPII. (2024). Gravity database. Centre d'Études Prospectives et d'Informations Internationales (CEPII).
dist	CEPII. (2024). Gravity database. Centre d'Études Prospectives et d'Informations Internationales (CEPII).
Good Governance Index	
wbgi_cce	Kaufmann, D., and Kraay, A. (2024). Worldwide governance indicators, 2024 update. https://www.worldbank.org/content/dam/sites/govindicators/doc/cc.pdf
wbgi_gee	Kaufmann, D., and Kraay, A. (2024). Worldwide governance indicators, 2024 update. https://www.worldbank.org/content/dam/sites/govindicators/doc/ge.pdf
fh_fog	Freedom House. (2024). Freedom in the world 2024. Retrived from: https://freedomhouse.org/report/freedom-world
v2x_rule	Pemstein et al. (2024, V-Dem Working Paper Series 2024:21); V-Dem Codebook: https://v-dem.net/documents/38/V-Dem_Codebook_v14.pdf
Liberal Democracy Index	
v2x_libdem	Coppedge et al. (2015, V-Dem Working Paper Series 2015:6); V-Dem Codebook: https://v-dem.net/documents/38/V-Dem_Codebook_v14.pdf
Synthetic Control predictors	
v2x_feduni	Coppedge et al. (2015, V-Dem Working Paper Series 2015:6); V-Dem Codebook: https://v-dem.net/documents/38/V-Dem_Codebook_v14.pdf
v2x_polyarchy	Teorell et al. (2019); V-Dem Codebook: https://v-dem.net/documents/38/V-Dem_Codebook_v14.pdf
v2x_libdem	Coppedge et al. (2015, V-Dem Working Paper Series 2015:6); V-Dem Codebook: https://v-dem.net/documents/38/V-Dem_Codebook_v14.pdf
Panel data structure	V-Dem Institute. (2025). Varieties of Democracy (V-Dem) Dataset, Version 14. University of Gothenburg. Retrieved from: https://v-dem.net/data/the-v-dem-dataset/

Appendix D - Model Diagnostics

Endogeneity test

To assess potential endogeneity problems of the study's panel data regression the study employs a system-GMM model. With GMM we can assess each of the DPM's' indices against itself by instrumenting with its own lagged values from periods 2 to 4.[279]

In this context lagged values of the indices serve as instruments to isolate the variation that is not correlated with the error term, helping to produce consistent estimates if the instruments are valid.[280]

The validity of the instruments is assessed using *xtabond2* command in Stata, with the outcome of the diagnostics presented in Table 17, including the AR(2) test, Hansen test, and Difference-in-Hansen test p-values.[281]

Here, to confirm the validity, the Arellano–Bond AR(2) test should be non-significant, which Table 17 confirms to be true among all instrumented DPM's. Similarly, the Hansen and Difference-in-Hansen also return non-significant p-values in all models. This lack of significance (p-value > 0,05) indicates that there is no statistical evidence that the instrument sets are correlated with the error term and that the instruments used in the level equation are not driven by the error term.[282]

Two practical considerations structured the GMM model. First, the collapse option was applied to limit the number of instruments to 7 to better fit the temporal data. This is because too many instruments can distort the Hansen test.[283] Second, because the sample includes only seven groups and a relatively low number of temporal observations, the AR(1) test becomes less reliable. In theory, AR(1) is normally expected to be significant, but in small samples its performance is weak and the absence of significance can therefore be interpreted as a small-sample artifact rather than a sign of model misspecification.[284] The validity of the specification is instead more reliably assessed through the AR(2), Hansen, and Difference-in-Hansen tests. The non-significant outcomes of these tests indicate that there is no evidence of autocorrelation and that the instruments are valid.

In conclusion, the joint non-significant pattern of AR(2), Hansen and Diff-in-Hansen estimations provides sufficient evidence that the instrument strategy successfully

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[279] D, Roodman. (2009). How to do xtabond2: An introduction to difference and system GMM in Stata. *The Stata Journal, 9*(1), pp. 100-101.
[280] Ibid, pp. 105–106.
[281] Ibid, pp. 87, 98
[282] M, Arellano. S, Bond. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *The Review of Economic Studies, 58*(2), pp. 291.
[283] D, Roodman. (2009), pp. 99-100.
[284] M, Arellano. S, Bond. (1991), pp. 283-284.
D, Roodman. (2009), pp. 98-100.

addresses any endogeneity concerns between study's main dependent and independent variables.

Table 17: Endogeneity test using the Generalized Method of Moments

Model (endogenous variable)	*AR(1) p-value*	*AR(2) p-value*	*Hansen test p-value*	*Diff-in-Hansen p-value*
Governance (instrumented)	0.877	0.091	0.824	0.837
Linkage (instrumented)	0.194	0.087	0.246	0.132
Leverage (instrumented)	0.659	0.185	0.720	0.593

Note: System-GMM estimates (xtabond2, two-step robust). Each endogenous index is instrumented with its own lags 2–4. For variable sources, see Appendix C, Table 6.

Appendix E - SCM results

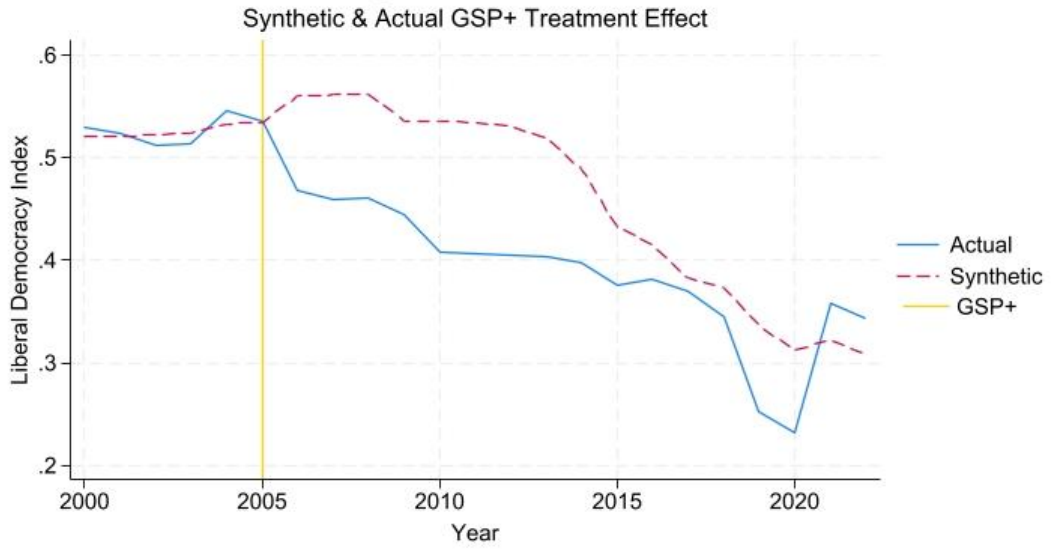
Table 15 : Donor Country Weights for Synthetic Control

GSP+ Countries	Optimal Unit Weights					Number of Donor Countries
Philippines	Nigeria: 0.719	India: 0.280	Nepal: 0.001	-		3
Pakistan	Sierra Leone: 0.321	Burma/Myanmar: 0.288	Mauritania: 0.212	Liberia: 0.18		4
Mongolia	India: 0.879	Madagascar: 0.06	Niger: 0.023	Tanzania: 0.022	Bangladesh: 0.009	6
Kyrgyzstan	Burma/Myanmar: 0.631	Senegal: 0.272	Liberia: 0.096	-		3
Sri Lanka	Malawi: 0.673	Laos: 0.214	Senegal: 0.113	-		3
Bolivia	India: 0.866	Liberia: 0.134	-	-		2
Armenia	Bangladesh: 0.335	Haiti: 0.115	Nigeria: 0.101	Togo: 0.079	Mauritania: 0.065	10

Note: How the synthethic controlgroup is weighted using predictor mentioned in Appendix C, Table 16

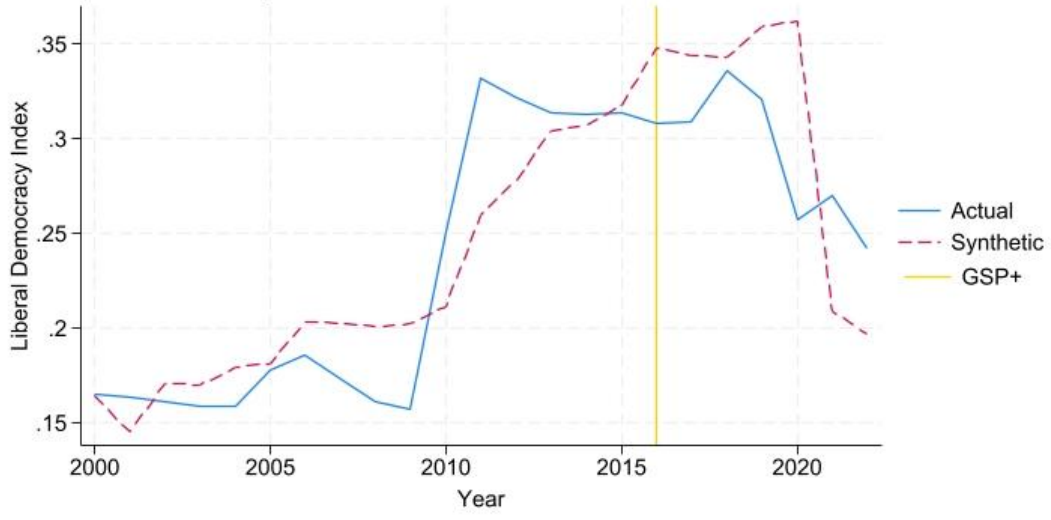
Source: For variable sources, see Appendix C, Table 6. Countries from V-dem database.

Figure 12 - Bolivia



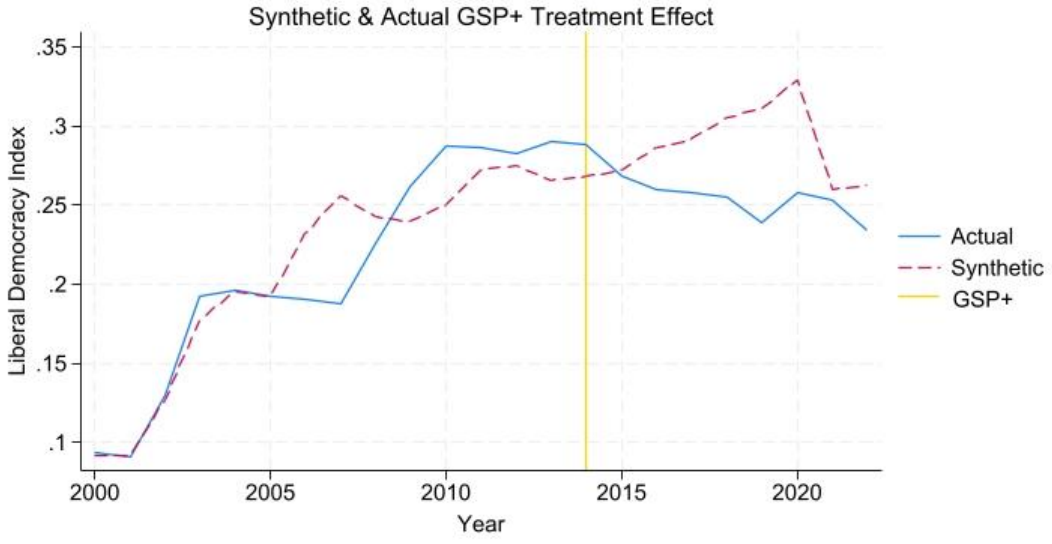
Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Figure 13 - Kyrgyzstan



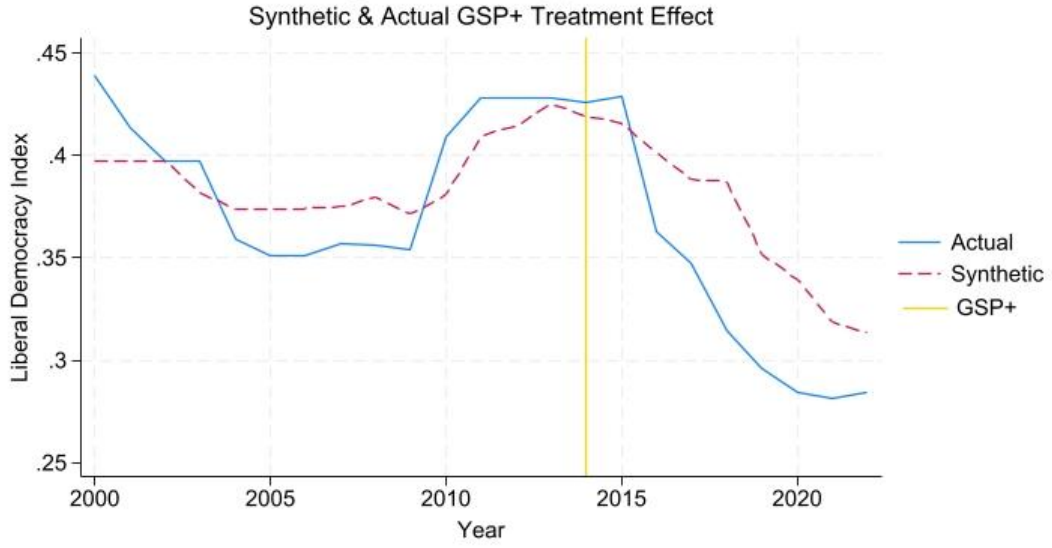
Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Figure 14 - Pakistan



Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Figure 15 - Philippines



Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

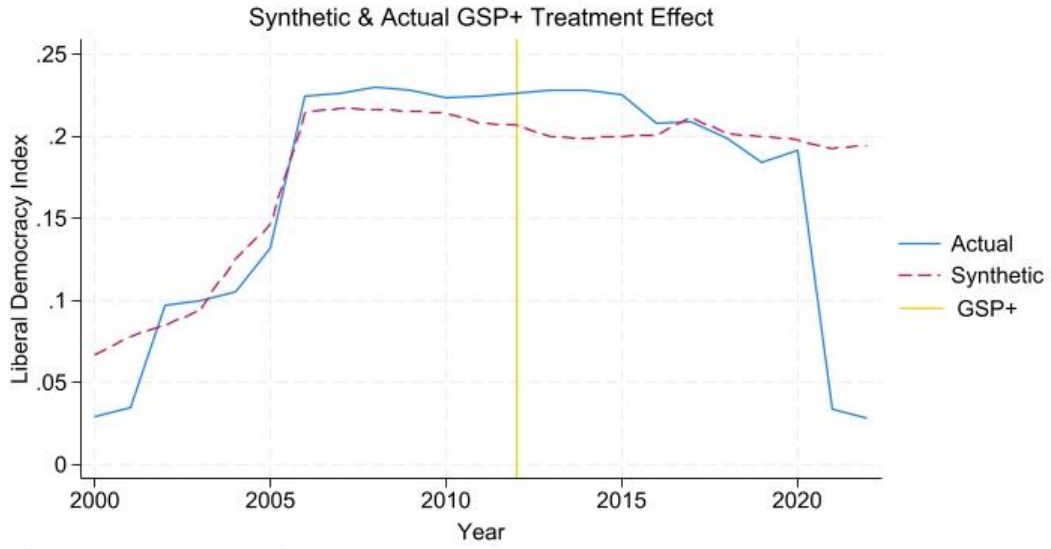
SCM Placebo Results and Discussion

To assess potential SCM bias and substantiate the findings of the GSP+ group, three placebo synthetic control tests were conducted. Given the staggered nature of the treatment, the placebo tests were designed to match the three most common GSP+ accession years: 2004, 2008, and 2011. The purpose of the placebo tests is to determine whether a democratization effect emerges following a 'fake treatment' in the control countries. If such effects appear in the placebo cases but not among actual GSP+ countries, then this would undermine the causal claim that GSP+ can serve as an effective instrument for promoting democracy.

The placebo countries, Afghanistan, Indonesia, and Tanzania were selected from the GSP/EBA control group. The outcome, presented in Figures 16 to 18 highlights considerably greater stability indicated by with matching linear pre-treatment trends, followed by slightly similar ambiguous trends in post-treatment. In general, the placebo results indicate a slight improved democratic performance for the “treated” countries compared to their synthetic counterparts, particularly in the case of Tanzania and Indonesia. Although Afghanistan initially shows democratic advantage compared to its synthetic version, it encounters sharp democratic decline in 2022 (most likely cause Taliban takeover).

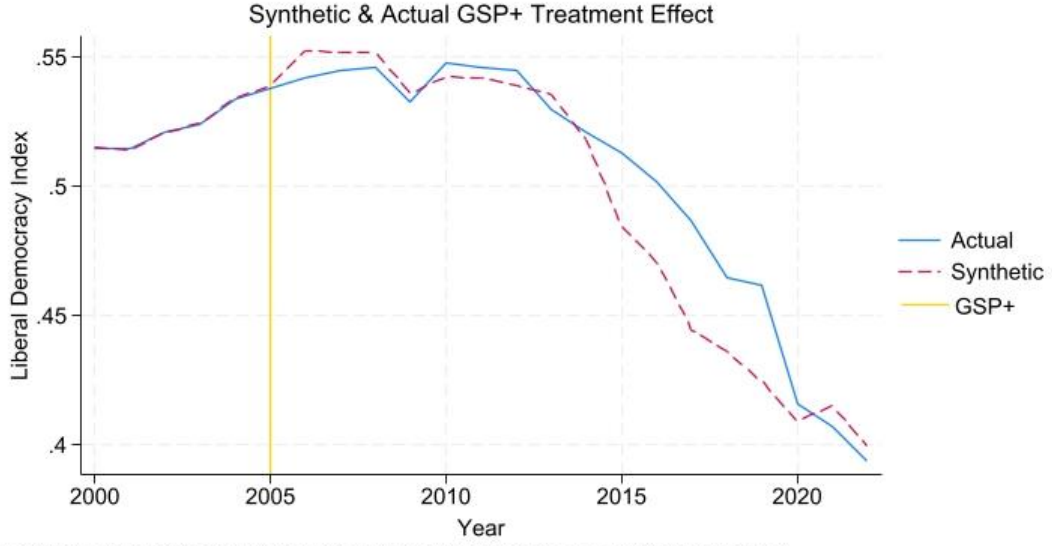
The overall positive synthetic placebo tests highlights a difference compared to most of the treated GSP+ countries, suggesting that GSP+ might not be a strong instrument for democratization. Furthermore, comparing the overall positive placebo results with that of the negative actual treated GSP+ could be interpreted that GSP+ could be associated with democratic regression. Such conclusion should, however, be treated with caution, given that placebo tests in staggered designs are not optimal.

Figure 16 - Placebo Afghanistan



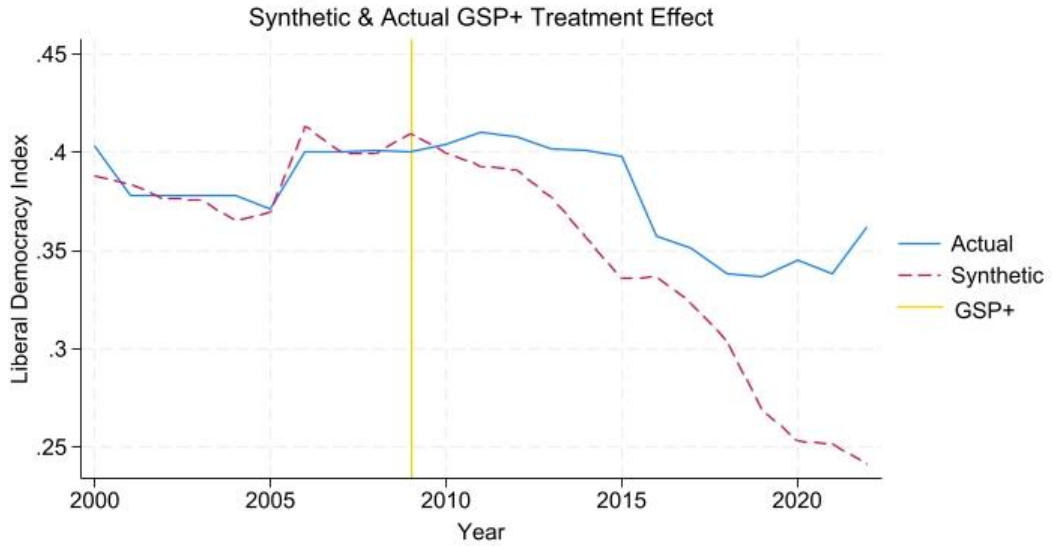
Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthethic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Figure 17 - Placebo Indonesia



Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthetic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Figure 18 - Placebo Tanzania



Note: Yellow line = year of GSP+ entry (t = 0). The synthetic-control pre-treatment period is t ≤ −1 (i.e., up to the year before the line).
Comparison of synthetic and actual effect of GSP+ on liberal democracy. Source: Coppedge et al. (2015). See Appendix for detailed variable descriptions

Appendix F – Panel Regression Results

Univariate TWFE and RE Results

Table 20 presents the results of the univariate regressions. For the leverage index, the RE model reveals a statistically significant and positive coefficient of 0.092**. In the TWFE model, the leverage index coefficient is slightly higher, but it lost its statistical significance. Thus Table 20 confirms patterns observed in Table 19 where the primary difference between them is that the TWFE coefficient is higher in the univariate model, which may result from the model's greater ability to isolate the effect of leverage when other index variables are excluded.

For the linkage index, the absence of statistically significant relationships remains evident in both models. In the RE and TWFE models, the coefficient is both positive but insignificant and accompanied by large standard errors, indicating high uncertainty in the estimates.

The good governance index also demonstrate a strong and statistically significant association in both estimators. The RE model produces an extremely significant coefficient with the effect 0.148***, similar to the TWFE model that displays a strongly significant coefficient of 0.151**, both models reflecting the same pattern presented in Table 19. The R^2 value for good governance is 0.183 in both models, substantially higher than that of the R^2 value of other indices, indicating strong covariance with liberal democracy.

Table 20: Univariate models: Random Effects and TWFE

	(Random Effects) V2x_libdem	(TWFE) V2x_libdem
Leverage_index	0.092**	0.103
	(0.039)	(0.038
Constant	0.393***	0.400***
	(0.083)	(0.040)
Observations	161	61
Overall R^2	0.006	0.009
Linkage_index	0.033	0.112
	(0.085)	(0.143)
Constant	0.359***	0.412***
	(0.092)	(0.071)
Observations	161	161
Overall R^2	0.005	0.000
Governance_index	0.148***	0.151**
	(0.057)	(0.060)
Constant	0.269***	0.268***
	(0.048)	(0.029)
Observations	161	161
Overall R^2	0.183	0.183

*Significance level: *** p<0.01, ** p<0.05, * p<0.1.*
Robust standard errors clustered on 7 countries and reported *in parentheses.*
Yearly dummies included but not reported.
Source: For variable sources, see Appendix C, Table 6.

Appendix G – Temporal Trend Comparison Results

- Bolivia shows a steady democratic decline, broken only in 2020 by a so-called U-turn where liberal democracy increases again. A similar downward trend can be observed in both leverage and good governance. Notably, good governance rises at the same time as liberal democracy in 2020. Stabilizations in 2006 and 2011 in liberal democracy are also reflected in positive trends in leverage and good governance. However, no correlation is found between linkage and the other variables.
- In Pakistan, the DPM's do not exhibit strong covariation with the observed development in liberal democracy. In 2007, both leverage and good governance decline while liberal democracy rises. However, the strong upward trend in good governance in 2006 may be associated with nearby positive developments in liberal democracy. It is also noteworthy that leverage and liberal democracy share a similar trajectory after GSP+ introduction in 2014.
- The Philippines displays strong covariation between good governance and liberal democracy, both in negative and positive directions. Early matching negative trends are reversed in 2009 when liberal democracy and good governance increase in tandem. From 2015 onward, both show downward trends stabilizing in 2020. There is no clear covariation with leverage and linkage, although similar weak downward patterns in 2020 across all three variables are observable, but likely not correlated.
- Mongolia does not exhibit strong covariation between liberal democracy and the DPM's. Instead, the latter often move in the opposite direction. For example, good governance plunges in 2002 while liberal democracy remains slightly positive. The clearest pattern of co-variation appears in 2019, when the downward democratic trend is mirrored in both leverage and good governance.
- Armenia is perhaps the GSP+ country in the study showing the strongest co-variation between liberal democracy and good governance. The positive trend in good governance in 2016 is likely a key contributor to the rise in liberal democracy. This correlation is further confirmed by the simultaneous downward shift in both indicators in 2022. A similarly aligned trend is seen in 2012. However, in 2015, liberal democracy does not reflect the negative dip observed in good governance. Both leverage and linkage also show slight positive covariation with liberal democracy, especially in 2013 and 2019.
- Kyrgyzstan exhibits several instances of co-variation. Positive trends in good governance and liberal democracy match in 2009, as do both upward and downward trends in leverage around 2004 and 2016. The most prominent co-movements in negative trends appear in 2018, where leverage, good governance, and liberal democracy all decline simultaneously. Outside of these examples, however, the trends vary widely, especially good governance, which drops in both 2008 and 2015 without corresponding changes in liberal democracy.
- In Sri Lanka, a strong correlation between liberal democracy and good governance is evident both positively in 2015 and 2017 and negatively in 2004 and 2019. Leverage displays some covariation, with positive overlap in 2017 and negative in 2005. Linkage, although weak, also reflects a similar downward trend between 2005 and 2014, which reverses in 2015 along with the liberal democracy index.