



Democratic Compliance in Ukraine and Moldova within the Framework of the European Neighbourhood Policy

Bachelor Thesis

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Abstract

With the Eastern Enlargement in 2004, Moldova and Ukraine shifted to the direct neighbourhood of the European Union. The EU launched the European Neighbourhood Policy (ENP) to address the challenges of direct neighbourhood. One crucial point of this policy is the democratisation of neighbouring countries. Reviewing the first five years of the ENP, this paper examines what factors determine democratic compliance of those neighbours. It takes a closer look at Moldova and Ukraine, building on exploratory research. The following research question emerges: *Why does democratic compliance within the European Neighbourhood Policy framework turn out to be effective to different degrees in Ukraine and Moldova between 2004 and 2009?*

To answer this question, a comparative case study is conducted, consisting of process tracing and a most similar-method analysis. Both external intergovernmental and societal factors are tested. External intergovernmental factors cover 'domestic political costs' and 'size of rewards'. Societal factors comprise 'economic development', 'institutional set-up' and 'economic liberty'. The data sources contain ENP-related EU documents and data from various international institutions. Each country is studied separately, before both cases are put into comparison. It turns out that while societal factors are unable to explain the different outcomes, external intergovernmental factors are more likely to explain the puzzle. 'Domestic political costs' serve to explain the outcome divergence between the two cases, while the 'size of rewards' appears less contributive to explain the differences.

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List of Abbreviations

AA	Association Agreement
ADEPT	Association for Parliamentary Democracy
AIE	Alliance for European Integration
CEECs	Central & Eastern European Countries
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Partnership Instrument
EU	European Union
EUBAM	European Union Border Assistance Mission
EURATOM	European Atomic Energy Community
FDI	Foreign Direct Investment
FH	Freedom House
GDP	Growth Domestic Product
GRECO	Group of states against corruption of the Council of Europe
IMF	International Monetary Fund
MFN	Most Favourite Nation Treatment
NATO	North Atlantic Treaty Organisation
NGO	Nongovernmental Organisation
OECD	Organisation for Cooperation and Development
OSCE	Organisation for Security and Cooperation in Europe
PCA	Partnership and Cooperation Agreement
PCM	Communists Party of Moldova
PPP	Purchasing Power Parity
SEM	Single European Market
TICPI	Transparency International Corruption Perceptions Index

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1. Introduction

This paper seeks to explain the differences in democratic compliance in Moldova and Ukraine within the framework of the European Neighbourhood Policy (ENP). The ENP is a policy of the European Union, intending to deepen political and economic relations with 16 countries¹ with whom the EU shares a border, as Figure 1 shows. In 2003, the Commission outlined the necessity to reorganise relationships with neighbouring countries due to the forthcoming EU Eastern enlargement in 2004. In a bilateral approach, each neighbouring country with contractual relations to the EU was analysed in a Country Report. Afterwards the EU and the respective neighbouring country negotiated and jointly adopted an Action Plan, containing political, economic and social reforms in the partner countries (European Commission, 2010a; 2010b).

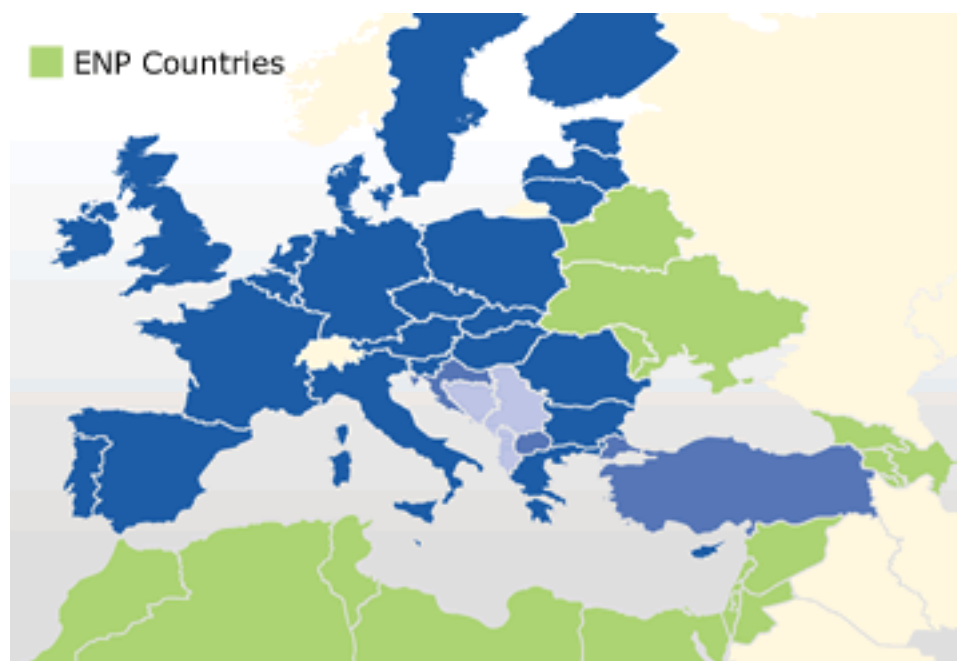


Figure 1: The EU and its neighbouring ENP partner countries²

The ENP can be viewed as a follow-up policy resulting from the experiences of the EU Eastern Enlargement (Kelley, 2006, p. 48). During the Enlargement process the main challenge for the EU was to achieve the accession countries' fulfilment of the Copenhagen Criteria, namely that stable institutions guarantee democracy, the rule of law, protection of minorities and a functioning market economy. Democracy plays a crucial role in EU enlargement policies, as the EU has often been argued to look at common norms and values when deepening relations with other countries (Schimmelfennig, 2002, p. 623). For previous enlargement rounds, democracy has been enforced by the principle of democratic conditionality. The Copenhagen Criteria facilitate democratisation in accession countries because they set a clear condition to be fulfilled before joining the EU (Haughton, 2007, p. 243). However, this mechanism is missing within the ENP, which explicitly does not put accession to the EU as a final goal. It limits itself to offering access to the Single European Market (SEM) and political cooperation in various fields.

From the perspective of the EU, the question arises under what conditions ENP partner countries comply with democratic standards. On the one hand, the EU's principle of democratic conditionality might be decisive. On the other hand, internal domestic factors might determine democratic compliance. This paper contributes to this question with a comparative case study. It compares two cases, namely Ukraine and Moldova, have a different democratisation performance in the first five years of the ENP. The cases of

¹ The 16 countries are listed here in alphabetical order: Algeria, Armenia, Azerbaijan, Belarus, Georgia, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Occupied Palestinian Territory, Syria, Tunisia & Ukraine. Algeria, Belarus, Libya and Syria have not yet agreed on the proposed Action Plans.

² This figure is available under http://ec.europa.eu/world/enp/index_en.htm, assessed on June 21, 2011.

Moldova and Ukraine are selected through purposive sampling based on selection on the dependent variable and unit comparability. Both countries have similar cultural and economic backgrounds and have undergone the different stages of the ENP with the same timing. Whereas Ukraine is regarded to have implemented fundamental democratic standards, Moldova's performance in democratisation stagnated and even deteriorated in the beginning of 2009. The following research question emerges:

Why does democratic compliance within the ENP framework turn out to be effective to different degrees in Ukraine and Moldova between 2004 and 2009?

The cases of Moldova and Ukraine are of particular interest, as the new century faces them with the challenge of a "post-post communist transition" (Kubicek, 2009, p. 324). Contrary to the Central & Eastern European Countries (CEECs) that entered the European Union and thus quickly democratised, the two countries remained in an intermediate status between democracy and authoritarian government, facing huge challenges. Both countries have divided societies, mainly rooted in ethnic and linguistic differences (Garaz, 2006; Jakubow, 2009; Katchanovski, 2005; Surzhko-Harned, 2008). This puts pressure on the unity of the states and influences foreign politics. Due to their location and ethnic minorities, both countries have built up a Russian and a European vector, which tend to have a different strength, depending on pressures and incentives from Moscow and Brussels (Kubicek, 2005, p. 284). This sets a highly tensioned political stage for domestic and foreign politics. For the ENP cases of Ukraine and Moldova, initial research has been conducted (Kratochvil & Tulmets, 2010; Kubicek, 2005; 2009; Lupu, 2010; McDonagh, 2008; Popescu, 2009). These works provide initial descriptions of Ukraine's and Moldova's development and describes several mechanisms of how the EU influenced political processes in these countries.

Moldova has been the only post-Soviet state with an uninterrupted cycle of legal and constitutional transformation since the 1990s (Popescu & Wilson, 2009, p. 92). Yet, academia is not sure how to judge the efforts to democratise within the ENP framework. McDonagh and Lupu view the ENP as an effective tool for bringing about changes in democratisation (Lupu, 2010, p. 24; McDonagh, 2008, p. 158). Conversely, Popescu criticises the neighbourhood fatigue of the EU for contributing to its overall ineffectiveness for Moldova. The country had been ruled by a semi-autocratic leader, who was not interested in bringing about any democratic change at all (Popescu, 2009, p. 1). This reveals a difference between on-paper compliance and actual compliance. It is indeed recognised that Moldova has launched democratic reforms, but few considerations were given as to whether these changes have actually been implemented. However, with the demonstrations in Chisinau following up fraudulent parliamentary elections, the Moldovan population showed its disapproval of the democratic conditions in Moldova (Popescu, 2009, p. 2). This study links to the two diverging interpretations and explains why the Moldovan government did not comply with democratic standards, although it launched democratic reforms.

In the fall of 2004, Ukraine gained international attention, broadcasting pictures of the Orange Revolution, leading to a change in government from the old pro-Russian Kuchma regime to the pro-European Yushenko coalition. Initial research has concentrated on the EU factor, exposing that the EU acted on the intergovernmental, inter-institutional and societal level to promote democracy and European values. Thereby the 'power of attraction' formed the core incentive, since Ukraine's emerging civil society level saw the need for democratic compliance and longed for EU membership (Kobzar, 2006, p. 25). In the aftermath of the Orange Revolution, initial reforms turned Ukraine more democratic. From 2007 onwards, however, a stalemate in democratisation was reached, after quarrels surrounding the break-up of the Orange coalition in 2006. This failure is broadly connected to the mismanagement of a democratic coalition, persistent corruption, oligarchic structures within the economy and the lack of further incentives given by the EU (Kubicek, 2009, pp. 329-333; Solonenko, 2009, p. 711).

Yet, the existing studies in both cases only serve to broadly outline the development. They neither employ a clear conceptualisation nor distinguish between internal domestic and external intergovernmental considerations. Moreover, no study accounts for the EU's limited expectations for democratic compliance within the framework of the ENP. The communication 'Wider Europe' bases the cooperation with neighbouring countries on the Copenhagen Criteria, but only refers to "progress demonstrating shared values"

(European Commission, 2003, p. 10). As a consequence, it makes no sense to apply the same standards of effectiveness regarding democratic conditionality for ENP countries and EU membership candidates. Even small changes in the level of democracy are worth studying, such as improvements in the field of civil liberties or political rights.

Taking these considerations into account, this study builds on existing knowledge of both cases. The theoretical foundation for democratic compliance is twofold. On the one hand, democratic compliance is explained with the external incentive model, which relates back to democratic conditionality. It is hypothesised that 'domestic political costs' and 'the size of rewards' determine the different degree of democratic compliance. On the other hand, internal societal factors that are generally attributed to democratisation are also considered. This study tests the societal factors 'economic development', 'institutional set-up' and 'economic liberty'. The data analysis contains a process tracing analysis, followed by a detailed analysis of the five independent variables. Afterwards, a comparison is conducted before the conclusion links the results to the original research question. It turns out that while societal factors are similar, 'domestic political costs' are shown to be most decisive, as they remain dominant in the cost-benefit analyses of both countries' target governments.

2. Theory

The underlying theoretical background is organised as follows. First, the term 'democratic compliance' is specified. Afterwards, different factors for democratisation are presented. Concerning external intergovernmental factors, democratic conditionality is explained, followed by an introduction of the widely applied external incentive model. Findings on the effectiveness of EU democratic conditionality are provided for the Eastern Enlargement and the ENP. Next to the external incentive model, societal factors connected to democratisation are presented, which are not directly affected by the ENP.

2.1 Democratisation

Before discussing the factors that determine democratic compliance, a clear conceptualisation of democracy is necessary. A prominent approach concentrates on aspects of an electoral democracy. This concept refers back to Schumpeter's definition, which describes democracy as "that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote" (Schumpeter, 1947, p. 269). Electoral democracy limits itself to checking whether elections are free and fair and occur regularly. It is important that the electorate comprises a large portion of citizens living in the country (Papaioannou & Siourounis, 2008, p. 367). Election results are the legal basis for a power transfer and legitimate political leaders in their role. The state apparatus has to be responsive to the elected representatives, while opposition needs to be present as well (Lipset, 1959, p. 71). Thus, the essence of democracy is the selection of leaders by the people according to pre-defined standards (Barro, 1999, p. 160).

Other scholars refer to the notion of liberal democracy. Liberal democracy includes elements of civil liberties and other political rights as well as human rights (Schimmelfennig & Sedelmeier, 2004, p. 677). Instead of concentrating on the legal presence of rights granted, scholars consider the performance. An effective democracy needs to establish the rule of law and to defeat widespread corruption (Welzel & Inglehart, 2008, pp. 126-128). Others measure democracy on the performance of political rights (Schimmelfennig & Scholtz, 2008, p. 198).

In this study, democratic compliance directs to the EU perspective. It depends on the extent to which the target country fulfils the conditions as agreed on in the Action Plan with the EU. As all Action Plans refer to the Copenhagen Criteria, the wider notion of democratic compliance is applied. It does not only take into account electoral but also liberal democratic elements. Electoral democratic elements prevail, because they form the basis of a democracy and legitimise the elected government. Liberal democratic elements describe the extent to which citizens of a country can count on democratic statehood, thus determining the particular quality of a democracy. This would, however, not apply given that a government has not been democratically legitimated. To sum up, democratic compliance not only points at the degree to which a country runs free and fair elections, but also upholds other core political rights and civil liberties.

2.2 External intergovernmental factors determining democratisation - Democratic Conditionality

External intergovernmental factors define the way in which the EU tries to influence governments of target countries. For the ENP countries, one can assume that the government plays a rather big and decisive role. The civil society has relatively little power vis-à-vis the state apparatus due to relatively poor democratic practices and authoritarian governments (Schimmelfennig, Engert, & Knobel, 2003, pp. 498-499). In this circumstance, the Commission tries to enforce democratic statehood by directly approaching the target country's government.

In this process political conditionality plays an important role. Political conditionality is a strategy that has been applied by different international institutions, such as the World Bank, the IMF, NATO or the EU (Baylies, 1995; Smith, 1997; Schimmelfennig, 2007). Democratic conditionality is an approach by the EU that intends to expand democratic norms and values to other countries. Target countries should arrive at democratic standards according to the EU's principles. This strategy is described as "reinforcement by reward" (Schimmelfennig et. al, 2003, p. 496), by which the desired behaviour is rewarded, whereas undesired behaviour is punished by withholding the reward. The idea is that reinforcement by reward leads to a desired behaviour in the long run. Target countries are offered technical and financial assistance as well as further institutionalisation in order to launch political reforms. If a third country fails to uphold the standards, the reward is withheld. Several studies concentrate on the conditions for and the effectiveness of democratic conditionality (Schimmelfennig et. al, 2003; Schimmelfennig, 2005; Schimmelfennig & Scholtz, 2008; Steunenbergh & Dimitrova, 2007). Effectiveness is determined therein, by how much the third country adopts reforms that lift up the standards according to EU norms.

Studying the effectiveness of democratic conditionality, the *external incentive model* builds up on the idea of reinforcement by reward³. It is based on the assumption that states aim to maximise their utility. A third country only receives the benefit if it complies with the EU's conditions. From the third country's perspective, the EU distorts the domestic equilibrium with an offer. The third country only adopts the conditions if the benefits exceed the costs. Factors that influence this costs-benefit analysis are determinacy of conditions, size and speed of rewards, credibility of threats and promises and the size of adoption costs (Schimmelfennig & Sedelmeier, 2004, pp. 671-676). This model has been tested on the eastern enlargement and on the ENP, and is therefore used in this study.

2.2.1 Effectiveness of Democratic Conditionality under the Eastern Enlargement process

It is necessary to make a distinction between the EU Eastern Enlargement and the ENP for two reasons. First, all Central and Eastern European Member States that joined the EU had to comply with democratic conditions in advance. ENP countries so far have not had to face such a decision since they do not have a short or medium-term membership perspective. Secondly, as this membership perspective is missing, the EU loses its biggest carrot in the ENP (Kelley, 2006, pp. 36-37). Incentives are naturally smaller for ENP countries than for accession candidates. However, as the ENP is a follow-up policy on the Eastern Enlargement and based on past experiences with the CEECs, it is worth to shortly review academic findings.

For the EU Eastern Enlargement domestic adoption costs were the most decisive factor, regardless of whether the conditions were credible and the rewards were sizeable. Whenever human rights or democratic processes were violated in order to preserve the status of the target government, reinforcement by reward was ineffective. On the contrary, whenever the costs of compliance remain small for the countries' elites, conditionality works out best (Schimmelfennig et. al, 2003, pp. 514-515). For the CEECs, this means that the impact of democratic conditionality was rather low. Countries were either already on track or remained authoritarian and refused to comply (Schimmelfennig & Sedelmeier, 2004, p. 671).

³It should be noted that two other models have appeared in the discussion. The first model is a social constructivist interpretation (Hopf, 1998; Wendt, 1992). The *social learning model* defines the EU as a community bound together by European norms and values. Adopting policies depends on whether the third country can be persuaded that these norms and values are appropriate. Second, the *lesson-drawing model* concentrates on whether reforms are expected to solve domestic problems out of dissatisfaction with the status quo (Schimmelfennig & Sedelmeier, 2004, pp. 675-676). However, these two alternative models have not been able to explain the effectiveness of democratic conditionality for the Eastern Enlargement and have not been considered in the predictions on the ENP.

However, effectiveness has been high in total, as can be seen in the number of states that joined the EU. Democratic conditionality proves to be effective in fragile democracies, since it limits the possible actions of domestic actors and thereby anchors democracy (Haughton, 2007, p. 236). During the negotiations, the phase in which the EU had to decide whether to open final negotiations was most effective, because the Copenhagen Criteria set a clear condition. Once the accession negotiations had started, countries were much more reluctant to further reform. They believed that the process of accession would not come to a halt (Haughton, 2007, pp. 243-244). Concerning the Eastern Enlargement, different studies have shown this phenomenon, linking accession to a 'rhetorical entrapment' (Schimmelfennig, 2001).

2.2.2 Democratic Conditionality under the ENP

On the basis of these findings predictions are provided for the effectiveness of democratic conditionality within the ENP. The main problem arises due to the tension between partnership and strict conditionality. The realistic approach of the EU to refrain from linking obligations to certain benefits might produce nothing but a set of lofty ideals (Tocci, 2005, pp. 26-27). Sasse terms this "conditionality-lite" (2008, p. 295), referring to the vague conditions and offers. Hence, the credibility of the incentives is weaker and vaguer within the ENP than with EU accession (Sasse, 2008, pp. 301-303). For the target countries that have ultimately joined the ENP, Schimmelfennig applies the external incentive model and studies the ENP countries from 1996 until 2004. He finds that although democratic conditionality was coherent, it was ineffective. The main problem for EU policy was that although it was consistent, its external incentives were too weak and would have led to high domestic political power costs (Schimmelfennig, 2005, p. 30). It remains yet to be seen though, whether this has changed in the period from 2004 onwards.

Referring back to the external incentive model, it predicts that a state will only comply with democratic conditionality if benefits exceed the costs. There is a clear intergovernmental bargaining mechanism between the EU and the target country. It consists of three factors: domestic political costs, size of rewards and credibility of threats and promises. Credibility of threats and promises, however, can be viewed as equal for both cases, since the framework of the ENP is similar to all countries (Dodini & Fantini, 2006, p. 510). The two remaining factors affect each country differently. 'Domestic political costs' of fulfilling the EU's democracy and human rights conditions is the most prominent. Costs increase the more it changes the integrity of states and prohibits governmental practices of power preservation (Schimmelfennig et. al, 2003, p. 499).

(H₁) Democratic compliance increases the lower domestic political costs are.

Apart from political costs, the size of rewards the EU provides to the ENP partner country's government is also of interest for the target country's government (Schimmelfennig & Sedelmeier, 2004, p. 673). It might consider the EU's financial and political assistance as stabilising factors that benefit not only the population, but the government itself in particular.

(H₂) Democratic compliance increases with the size of rewards offered by the EU.

2.3 Societal factors determining democratisation

Besides external factors that influence the intergovernmental level, there are different societal factors that might influence democratisation. They empower society to enforce democratic changes within the country. Before entering the discussion on societal factors, it should be clarified that there is neither a single social factor nor a single path that leads to democratisation. Different incidents such as crises or the end of a civil conflict may also play a role (Papaioannou & Siourounis, 2008, p. 385).

The most prominent theory is the modernisation theory. Lipset finds that wealth, the degree of industrialisation and urbanisation, as well as the level of education are significantly higher in countries with higher democratic standards (Lipset, 1959, p. 75). Concerning economic development, the finding has been confirmed many times in statistical analyses (Bollen & Jackman, 1985; Londregan & Poole, 1996; Barro, 1999; Papaioannou & Siourounis, 2008). Yet, the relationship between economic development and the level of democracy does not hold for high levels of income inequality. A high degree of income inequality is

incompatible with the development of a stable democratic political system, since blocking redistributive reform would lead to a severe decrease in popularity (Muller, 1995).

Economic development thus is one key prerequisite of democracy. The theoretical explanation is that during industrial revolutions, the development of capitalism transfers power from landowners to subordinate classes. A less agricultural but more industrialised economy leads to the emergence of a middle class. The emerging middle class is able to reach a high degree of self-organisation, due to urbanisation, communication, education, transport and other forms of interaction. The working class gains power through universal suffrage. These empowerments weaken the upper class, which is naturally against democracy, as democratisation means a loss of power (Huber, Rueschemeyer, & Stephens, 1993, pp. 83-84). In sum, a wealthy population might yield people that are able to intelligently participate in politics, since they hold sufficient resources (Lipset, 1959, p. 75).

Besides the general state of the economy, the notion of short-term economic developments has to be taken into account. In newly established or fragile democracies, the economy does play a role of crucial importance for the manifestation of the democratic state system. While democracies become more durable when income per capita increases (Przeworski, 2009), a deteriorating or stagnant performance means a strong risk of political reversal (Converse & Kapstein, 2006, p. 40). Inexperienced citizens exercise their democratic freedoms and utter excessive expectations to their government, which is not able to serve them (Bermeo, 1997, p. 2). This generally leads to a lower support of the political class and opens the way for regime changes (Cordova & Seligson, 2010, p. 1). Consequently, economic development needs to include both long-term and short-term developments.

(H₃) Democratic compliance increases with positive economic development.

Social structure might also affect democratisation, particularly with regard to societal fragmentation, which either fosters democratisation in order to preserve liberties or hinders democracy due to polarisation (Dahl, 2000). As outlined by Lipset, crosscutting cleavages form a network within the society. This helps to unite society, provided that cleavages have been eased successfully after one another. Conversely, mutually reinforcing cleavages lead to a division in society, creating bitterness and insecurity (Lipset, 1959, pp. 92-93). It is harder to reach a political compromise due to a lack of trust.

The question arises whether the institutional set-up of both countries is suitable for addressing such cleavages. This question links back to the benchmarking study of Arend Lijphart (1999). He contrasts two forms of democracy. While the majoritarian Westminster Model contains a lot of concentration of power, the consensus model tends to share competencies. For societies with ethnic diversities, the latter consensus model might be more appropriate, as it splits up power and thus protects minorities, guaranteeing them a voice in political decisions (Cohen, 1997, p. 628). It is thus worth to examine whether the target country's institutional set-up addresses present cleavages.

(H₄) Democratic compliance increases the more the target country's institutional set-up enables to address the existing cleavages in society.

The liberal hypothesis states that economic liberty is a necessary means for individual freedom. Democratic countries appear to have more open economies than autocratic countries. Economic liberty transfers problems from the public to the private sector. It enables people to share ideas freely and to develop products and solutions for their needs. The more people are able to solve problems without state interference, the more power is effectively transferred to them from the government. As a consequence, people strive for more liberty to expand their competencies. A market economy is thus able to avoid nepotistic networks and dysfunctional rent seeking by elites (Friedman, 1962, pp. 7-17). Conversely, it is harder to institutionalise democracy once sources of power, status and wealth are concentrated within the state. If the state apparatus extensively blocks economic liberty, people tend to adjust to the situation, complicating the institutionalisation of democracy. Problems such as corruption and the absence of rule of law arise (Lipset, 1994, pp. 3-4).

Besides the internal interaction within a country, trade with foreigners also might play a role. The more people get in contact with international democratic standards, the more they will claim them in their home country (Schimmelfennig et. al, 2003, p. 501).

(H₅) Democratic compliance increases with economic liberty.

Yet, also other aspects are mentioned in the literature. Religion is an obstacle to democracy once the clergy and the state have close ties (Huntington, 1993, pp. 25-29), or when religion puts emphasis on the collective but not on the individual (Bollen & Jackman, 1985; Lipset, 1994, p. 5). Oil-richness and an abundance of natural resource are regarded negatively for democratisation (Barro, 1999; Casseli, 2006). Ross concludes that the claim of oil impeding democracy is valid, applying to countries all over the world and not only in the Middle East (Ross, 2001, pp. 356-357). A last factor is colonial past. It has been argued that states which used to be colonies need more time on the road to democracy due to remains of old authoritarian institutions established in colonial times (Acemoglu, Johnson, & Robinson, 2001).

Although these factors have been covered considerably in the literature, they are excluded from this study. Either they do not apply, such as colonial past and resource abundance, or they are so similar that they may not explain the initial outcome divergence, such as religion and education. Conversely, 'economic development', 'institutional set-up' and 'economic liberty' cover suitable indicators for structure and power of both societies, revealing their potential to push for democracy.

3. Methodology

This methodology section is organized as follows. The first part presents the research design, discussing its advantages and shortcomings. The following case selection explains why Ukraine and Moldova are selected. Afterwards, the variables are operationalised, which is followed up by a discussion of the data sources and analysis.

3.1 Research Design

The proposed research design is a *comparative case study*. It employs a *most similar-method*, whereby the selected cases are as similar as possible except for the outcome (Gerring J., 2001, p. 210; Reynolds & Johnson, 2008, pp. 152-153). Afterwards, the study concentrates on antecedent factors that differ between the two cases and checks whether there is a causal relationship with the outcome. However, it should be noted that this method has shortcomings. Equifinality might lead to the fact that there is not one variable that would explain the cause. Instead, several combinations of variables might cause the outcome, yet this cannot be identified with the most-similar method. The most-similar method would only work if there were no causal interactions, if all causal variables were identified and included in the study and if the two cases represented all logically and socially possible causalities. Such a perfect constellation is unlikely to happen in reality (Bennett, 2004, pp. 30-32).

It is therefore necessary to combine the most similar-method with another approach, namely a *process tracing analysis*. This is used to reconstruct a causal process that has occurred in the past. Data is generated and analysed on the causal mechanisms and links putative causes to observed effects (Bennett & George, 1997). The combination between a narrative process tracing analysis and deterministic causal relationships is suitable and occurs frequently in the literature (Gerring J., 2007, p. 185; Mahoney, 1999).

The comparative case study is conducted with the hierarchic method, meaning that the comparison is carried out in two stages. At first, each case is examined individually, as if it was a single case study on its own. The process is traced and the hypotheses are tested independently from each other. Afterwards, the two cases are compared (Verschuren & Dooreward, 2005, p. 167).

This research method has several advantages. First, the approach combines a deep understanding of each case with theory testing and refinement. While the most-similar method is able to detect possible explanations for the outcome, the process tracing analysis helps to check whether this outcome is able to explain the whole process. Second, the independent examination of Ukraine and Moldova is helpful, as the ENP framework itself rests on a bilateral approach. Providing an independent in-depth understanding

produces a high degree of internal validity. Internal validity plays a more important role here than external validity, which is generally low for case studies, in particular with Mill's method of difference, when the measurement of variables is limited (Gerring J., 2007, p. 43). However, this research design is not able to determine the core reason for the different outcomes. It may only provide hints that lead to a better understanding of the cases. The findings, though, cannot be applied to other ENP partner countries, as they have to be studied in depth as well.

The time frame of the study covers the period from 2004 to 2009. 2004 marks the official launch of the ENP with the country reports. In both cases, the Action Plan was initiated in the fall of 2004 and jointly adopted in February 2005 for the duration of three years. Thus, the period from 2005 to 2008 marks the implementation period. 2009 is of interest as it marks the first year after the implementation period and is still covered by the last annual published progress reports of the European Commission in May 2010. It is interesting to see whether the countries were pursuing further reforms or whether they waited until the follow-up Association Agreements were established.

3.2 Case selection and sampling

After clarifying the research design, the choice of selecting Moldova and Ukraine requires consideration. Due to the focus on the ENP in the research question, the population consists of 16 countries that are currently recognised and addressed in the ENP. The sampling that is conducted here is purposive and based on two consecutive criteria, namely the variation in the dependent variable and unit comparability. Cases are not recognised where no Action Plan has been established or where a case is not recognised as an independent state. This excludes Algeria, Belarus, Libya, Syria and the Occupied Palestine Territory from the final sampling stage.

The selection on the dependent variable is conducted in order to find two cases with a different outcome. There are two possible outcomes for *democratic compliance*. A target country might either comply or not comply with democratic standards. For the case selection the combined ratings from Freedom House (FH) data from 2004 and 2010 are compared⁴. FH rates countries on their performance on political rights and civil liberties. Countries can score between 1 (highest possible freedom) and 7 (lowest possible freedom) on each indicator. The average of the two individual scores is taken, leading to the freedom score⁵. FH categorises freedom in the following way: free (1-2.5), partly free (2.5-5) and not free (5.5-7). However, this index does not necessarily show whether democratic compliance has occurred. Since even small developments are recognised in this study, democratic compliance is reached when there is an improvement on the scale by at least -1, or if the country already has a score between 1 and 2.5. The difference of -1 is chosen as a significant change since the average value is taken. It means that at least either both scores have improved by -1, or that one of the scores has improved by -2. All other cases are viewed as 'noncompliant' since no significant change has occurred. In table 1 all considered cases are listed.

In order to explicitly select the cases the second criterion has to apply, which is unit comparability. Unit comparability limits possible alternative explanations (Gerring J., 2001, p. 210). Moreover, it ensures that the countries are comparable on the independent variables. The population of ENP countries is very heterogeneous, if one takes into account political and cultural factors. Unit comparability is realised through four considerations. First, both cases need to have a similar starting point in terms of democratic statehood in 2004, as this would mean similar cost-benefit analyses, depending on the first two independent variables. Second, both cases need to have a similar timing in going through the different stages of the ENP. This controls for different historical events or incidents affecting both countries, for instance the economic and financial crisis triggered in 2008. Third, countries need to have a similar cultural background and should therefore need

⁴ It should be noted that both the ENP progress reports but also FH's annual country reports always cover the development up to the end of the previous year. Thus, the FH data from 2010 is taken to elaborate on the situation in 2009. In order to determine the status of the target countries prior to the launch of the ENP, FH data from 2004 is considered, since this data was the most recent information when the EU entered negotiations on the Action Plan.

⁵ Both scores have the same weight. This is suitable for the study, as the EU addresses both political rights and civil liberties in all relevant ENP documents. Moreover, a different weighting would not make a lot of difference in the Freedom Score, since the values are always very close to each other (see table 5).

to come from one region. A similar social and cultural structure also enables an examination of institutional arrangements, as both countries face similar challenges in terms of cleavages. Fourth, countries should have a comparable economic status in 2004. As the economic situation determines the possibilities and concerns of people, it could be misleading to compare a relatively rich with an extremely poor country. Both developments in economic liberty and economic development can be examined.

Table 1: *Selection on the Dependent Variable*

Category	Countries	2004 score	2010 score	Change
Compliant	Ukraine	4	2.5	-1.5
	Lebanon	5.5	4	-1.5
	Israel	2	1.5	-0.5
Noncompliant	Armenia	4	5	+1
	Azerbaijan	5.5	5.5	0
	Egypt	6	5.5	-0.5
	Georgia	4	4	0
	Jordan	5	5.5	+0.5
	Moldova	3.5	3.5	0
	Morocco	5.0	4.5	-0.5
	Tunisia	5.5	6	+0.5

Source: freedomhouse.org (2004 & 2010)

As shown in table 2, Ukraine is chosen for a complying and Moldova is chosen for a non-complying case. Both cases are countries from Eastern Europe, are ranked as partly free by Freedom House for 2004 and share a lot of cultural elements, such as the same religious backgrounds. For the partly free countries Moldova is chosen, having the same timing process in the ENP. The different developments form a puzzle. For 2010 Ukraine ranks as a 'free country', whereas Moldova remains 'partly free'. Due to the similarity of the cases, it is easier to detect explaining factors for democratic compliance.

Table 2: *Overview of Case Selection*

Country	Criterion 1: Selection on Dependent Variable	Criterion 2: Unit comparability				
		Starting point	Geographical location	ENP process	Cultural similarity	Economic status
Ukraine	Yes (2.5)	Partly free	Eastern Europe	Same time sequence	Yes	Poor
Moldova	No (3.5)					

Source: freedomhouse.org (2004, 2010), own argumentation

3.3 Operationalisation

After the selection of the cases, the variables are operationalised. The dependent variable is *democratic compliance*. Since the ENP includes mostly authoritarian regimes, and since the Commission has accounted for that in its statements, even small successes are recognised as valuable. In measuring compliance, two factors are considered, namely elements of electoral democracy and liberal democracy. Electoral democracy concentrates on the question whether elections on the national level are conducted free and fair. Liberal democratic elements look at different democratic elements, for instance whether citizens of the target country are able to exercise certain civil as well as political rights, apart from voting. This study limits itself to look at freedom of media, expression, assembly and association, as they form the core rights to actively participate in political life. Furthermore, the study considers strong human rights violations, namely ill-treatment and torture. This study primarily assesses the judgements of the Commission's ENP country reports

and sees what developments have happened. Additionally, the combined FH score⁶ helps as another indicator to show actual compliance. This dichotomous variable has the outcomes 'compliant' and 'non-compliant'.

Starting with the independent variables covering external intergovernmental factors, the first one is *domestic political costs*. The costs are higher the more democratic reforms set limits to the political power practices of the ENP partner country's government. When the government enforces power directly on its citizens, it does so via the judiciary. Limiting the practices might cause relatively high political costs. Conversely, the public can exercise pressure on election days. Improvements in that area might therefore cause high domestic political costs for the government. It is therefore first described what changes happened to both the conduct of elections and the means of the judiciary. Moreover, it is judged how important those two fields have been for the governments, and whether non-compliance can be explained by a negative cost-benefit analysis. The values for *domestic political costs* are 'high' and 'low'.

The second independent variable covers the *size of rewards*. Rewards comprise EU subsidies and political cooperation. They determine the importance of EU support to the country, in particular for the ENP partner country's government to ensure certain internal stability. EU subsidies from all projects targeting Ukraine and Moldova are added together and are compared to the national tax revenues⁷. The resulting percentage of EU subsidies relative to national tax income helps to evaluate whether the EU monetary support marks a considerable amount of financial resources for the government, which would have financed the different projects itself⁸. Concerning political cooperation, it is examined whether additional cooperation is offered in fields that provide the internal stability of the state, i.e. security and economic matters. This factor can be judged as most valuable for the target governments. This variable has the values 'high' and 'low'.

Turning to the independent variables that cover societal factors, the third independent variable is *economic development*. The description of the general development provides general economic data, complemented by the specific status of the economy. The short-term development between 2004 and 2009 is described by the following economic indicators: annual growth rate of Growth Domestic Product (GDP), GDP per capita, inflation⁹, unemployment rate, composition of the economy¹⁰ and income inequality¹¹. Thereby, the approach refers to other studies that have been conducted so far (Barro, 1999; Londregan & Poole, 1996; Muller, 1995). It is assessable whether the economy has improved or deteriorated, while taking into account the overall picture. *Economic development* can either be 'positive' or 'negative'.

The fourth independent variable is *institutional set-up*. The institutional set-up ought to respond to cleavages in order to provide a smooth statehood. This study limits itself to what Lijphart calls the "Executive-parties dimension" (Lijphart, 1999) by concentrating on the three issues of executive-legislative balance, the electoral formula and the party system. The more proportional the electoral formula, the more parties appear in parliament and the more powerful the parliament is vis-à-vis the head of state, the more the target country has set the framework for bridging cleavages in society on the national level. It has to be mentioned that this study excludes any considerations concerning the degree of decentralization for reasons of comparability, since the Ukraine is much larger in terms of country size and population than Moldova. Thus, different standards would be required in assessing the functionality of the state's set-up in that regard¹². This variable has the values 'sufficient' and 'insufficient'.

⁶ The FH combined score prevails in this study over the FH 'Nations in Transit' Scores, as the FH combined score is applicable to every ENP partner country and therefore enable generalisation. Yet, the FH 'Nation in Transit' reports offer valuable information, available at <http://freedomhouse.org/template.cfm?page=17>.

⁷ It should be noted, however, that most of the subsidies of the EU are not directly transferred to the target governments.

⁸ This study does not take into account low-interest loans that were granted by EU institutions, such as the European Investment Bank (EIB). Thus, the amount of EU subsidies has to be considered very carefully.

⁹ Inflation is measured by the annual increase in consumer prices.

¹⁰ The composition of the economy contains the relative shares of agriculture, industry and services of the GDP and the share of the workforce working in each of the three sectors.

¹¹ Income inequality is measured by comparing the share of the richest 20% compared to the lowest 20%.

¹² Nevertheless, it should be recognized that the federal-unitary dimension does play an important role in a state's set-up, particularly with regard to minority protection. Issues such as federalized competencies, a unicameral/bicameral legislature or constitutional rigidity determine the power of government, once elected into office Lijphart, A. (1999).

The fifth independent variable is *economic liberty*. Two aspects play a role here. First, when looking at the internal economic freedom, it is examined how corruption has developed within the country. Data is taken from the Transparency International Corruption Perception Index (TICPI)¹³. A lower degree of corruption displays a higher degree of liberty. Conversely, a high degree of corruption hampers economic liberty significantly. Second, external entanglement is measured in relevant foreign trade data, namely overall absolute and relative import and export development. Data covers the general trade relations as a whole, but is also specified for the EU trade share in order to reveal the influence of democratic economies. A higher trade volume in absolute terms, but also in particular with the EU, indicates a higher economic liberty (Schimmelfennig et. al, 2003, p. 501). This applies also to foreign direct investment (FDI), as international firms automatically call for more economic liberty when having invested in a country¹⁴. When evaluating on these two aspects, it should be noted that corruption plays a more important role, as relates closer to the people's everyday life situation. *Economic liberty* is either 'high' or 'low'.

Table 3: *Overview of Variables and Operationalisation*

Variables	Operationalisation	Dichotomized values	Data Sources
DV: democratic compliance	Improvement in <ul style="list-style-type: none"> Electoral democracy Civil Liberties & Political Rights 	Compliant / Noncompliant	ENP documents FH country reports & scores Extra additional sources
IV ₁ : domestic political costs	Extent to which core political power practices are negatively affected in the following fields <ul style="list-style-type: none"> Judiciary Elections 	High / Low	ENP documents FH country reports
IV ₂ : size of rewards	Development in <ul style="list-style-type: none"> EU subsidies Additional Political cooperation 	High/ Low	ENP documents ENPI documents World Bank data
IV ₃ : economic development	Development in <ul style="list-style-type: none"> Annual growth rate of GDP GDP per capita (absolute) Inflation Unemployment rate Income share of the richest 20% & lowest 20%. Economic composition 	Positive / Negative	World Bank data
IV ₄ : institutional set-up	Description of the Executive-Parties dimension <ul style="list-style-type: none"> Electoral formula Number of parties in parliament Executive-legislative balance 	Sufficient / Insufficient	ENP documents FH country reports Academic literature
IV ₅ : economic liberty	Development in <ul style="list-style-type: none"> Foreign trade relations (EU share) Foreign direct investment Corruption 	High / Low	World Bank data Transparency International Perceived Corruption Index National trade statistics

In this way, the operationalisation of the variables provides general factors that might lead to democratisation. Along with the chronological description of the time frame they give additional insights in both cases. However, it should be noted that the selection of variables is limited. The selected independent variables are not exhaustive here, naturally limiting this study's scope. Furthermore, the process of dichotomizing is somewhat normative. However, due to providing an in-depth analysis this problem is softened, as each value for the different variables is carefully argued in the analysis.

¹³ The TICPI ranks countries in terms of transparency from 10 (highest) to 1 (lowest). See http://www.transparency.org/policy_research/surveys_indices/cpi, retrieved on May 25, 2011

¹⁴ Data only shows FDI as a Balance of Payment, comparing the inflows with the outflows of FDI. Therefore, numbers and implementations from this variable have to be interpreted very carefully.

3.4 Data collection & Analysis

The data sources vary between the analyses. In order to measure democratic compliance, data is taken from the European Commission and Freedom House. The Commission sources contain Country Reports, the adopted Action Plans and the follow-up Progress Reports. They naturally display the Commission's opinion and report on the democratic developments in the countries. As a controlling source for the democratic process, the FH's annual country reports are taken. Thereby the above-mentioned Freedom Score, but also the attached reports are considered. Additionally, further data sources comprise reports and statements from the World Bank, the Organisation for Economic Cooperation and Development (OECD), the Organisation for Security and Cooperation in Europe (OSCE), the Venice Commission¹⁵, Amnesty International and Human Rights Watch. However, as this data is different for each country, the various sources form additional background information that helps to provide an in-depth understanding. This is of particular importance in the process tracing analysis, in which the political process is traced and reported on an annual basis, starting in 2005¹⁶.

Concerning the testing of the independent variables, data is taken from the World Bank, Transparency International and the European Neighbourhood and Partnership Instrument (ENPI). Table 3 provides an overview on the operationalisation as well as on the data sources. Analysing this data, the conditions for the independent variables are reported briefly for each case, again considering the development throughout the years. Then, the variables are dichotomised in order to fit the most-similar method comparison. It should be noted that this method considerably simplifies the initial findings for each case (Gerring J., 2001, p. 211). Yet, this problem is somewhat alleviated by the fact that the cases are analysed individually beforehand. Therefore, the judgement on dichotomizing the variables during the comparison is conducted in an appropriate manner.

4. Analysis

After the provision of theoretical background and methodology, the analysis is outlined as follows. The two cases are presented apart from each other. The analysis starts with the compliant case Ukraine, before turning to the non-compliant case Moldova. For each country the analysis contains three individual parts. The first part determines the outcome for the dependent variable '*democratic compliance*'. After briefly describing the EU's relationship and expectations towards the target country, this part outlines and comments on the democratic development in different fields. Second, with the outcome in mind the process tracing analysis outlines and connects the major political events that occurred in the five-year period. The goal is to obtain initial conclusions from the development on the national political stage. Third, on the basis of this background the independent variables are tested to provide additional information. After the two cases are scrutinized individually, a concluding part draws a comparison, revealing similarities and differences that help to explain the different outcome for both.

4.1. The Compliant Case: Ukraine

4.1.1 Democratic Compliance in Ukraine

At the outset of the ENP in 2003, Ukraine and the EU worked on the implementation of the Partnership and Cooperation Agreement (PCA) from 1998. This implementation period had not been very successful. Whereas the EU awaited implementation, Ukraine blamed the EU for not assisting sufficiently in the implementation process (Kobzar, 2006, pp. 12-18). Indeed, the EU's responses to Ukraine after 1998 were characterized by "frustration and fatigue", and turned into "disengagement" in 2000 (Kubicek, 2005, p. 277). Nevertheless, the EU was the largest donor to Ukraine and granted Most Favourite Nation (MFN) treatment in terms of trade. Both sides had furthermore launched cross-border cooperation. Ukraine's inclusion in the ENP was perceived

¹⁵ The Venice Commission is the advisory body of the Council of Europe, particularly in constitutional matters. The Venice Commission issues opinions on political reform proposals. See http://www.venice.coe.int/site/dynamics/N_Opinion_ef.asp?L=E, retrieved on June 26, 2011

¹⁶ The year 2004 is covered in the section on the initial situation of the target country.

as a permanent exclusion from the EU, denying Ukraine's membership aspirations and creating frustration among the political elites (Kratochvil & Tulmets, 2010, p. 37).

In the 2004 EU country report the EU aimed for a strategic partnership, which took Ukraine's membership aspirations into account. With regard to democracy, the EU noted that there was a power struggle between the president, the prime minister and the parliament over final authorities. Furthermore, transparency in prior elections had been low. The freedom of the media was limited, since there was a lack of an independent public broadcaster. Corruption and an inefficient judiciary system had reached an alarming state. Additionally, racism against minorities, torture and ill-treatment in prisons were reported (European Commission, 2004a, pp. 2-10). These shortcomings were incorporated into the Action Plan, which prioritised improvements in the democratic conduct of Ukraine's institutions and of the upcoming presidential and parliamentary elections (European Commission, 2004b, pp. 2-9).

After five more years of implementation Ukraine is judged as a 'compliant' case, even if it democratised much more in the beginning, namely in 2005 and 2006 (Shapovalova, 2008, p. 4). FH credited this by lifting up the civil liberties score by 1 in 2005 and again by 1 in 2006 together with the political rights score, turning Ukraine into a 'free' country. This change was mainly due to the re-election of the president and the subsequent political reforms after the Orange Revolution (FH, 2006). The Commission also welcomed the democratic changes in the first two years, yet was increasingly concerned by the decelerating process in the following years.

Going more into detail, one of the strongest improvements was the provision of free and fair elections by the government. The second presidential election in 2004 and the parliamentary elections in 2006 and 2007 were judged in line with international standards. Yet, shortcomings exist, for instance provisions that excluded citizens from voting who had crossed borders one month prior to the elections (OSCE, 2007, pp. 2-3). The Commission also criticised the process of amending the legislation on the presidential elections in 2009, since the new provisions aggravated the challenging of the election results and were implemented during the electoral process. This draft, although showing significant improvement compared to previous legislation, put strong limitations on candidacy rights, such as the prohibition of independent candidates (Venice Commission, 2009a).

Freedom of the media has also improved significantly since the Orange Revolution (OSCE, 2007, p. 3). Journalists can now work without direct government interference (Human Rights Watch, 2008a). The Commission applauded the abolishment of restrictions of media to electoral campaigns. Moreover, it welcomed the establishment of a legal basis for public service broadcasting while pointing out that no actual progress had happened so far on that matter (European Commission, 2006a, pp. 2-5). However, media reform has only advanced halfway, as no independent public broadcaster was installed.

It should be clearly stated that Ukraine did not fully comply with European standards at the end of 2009. The Commission welcomed measures to strengthen the legal role of the civil society (European Commission, 2008a, p.5). Yet, along with the Venice Commission it strongly criticised a draft law on the freedom of assembly for not offering explicit standards for official decision-making and not always allowing access to courts in order to repeal the decisions of government authorities. On top of that, the necessity of constitutional protection was underlined. There was no progress made to the initial legislation in 2006 (Venice Commission, 2009b, pp. 2-4). On the other hand, the Commission appreciated Ukraine's efforts to guarantee freedom of expression during the presidential election campaign, since the voters had access to a variety of information about the candidates and a plurality of media (European Commission, 2010a, p. 6).

Regarding governance, the Commission initially was very positive about taking measures against corruption, such as joining GRECO¹⁷ in 2006. However, from 2007 onwards no significant development has occurred, although the fight against corruption has remained on the political agenda. The anticorruption package has been adopted in 2006, but has lacked implementation so far (OECD, 2010, p. 3). Another problem concerns the inefficiency of the judiciary. The Constitutional Court remained inactive for more than nine months due to constitutional gaps in the appointment procedure (European Commission, 2006a, p.2). Furthermore, it was subject to political pressure, as described below.

¹⁷ GRECO is the Group of states against corruption, organized by the Council of Europe.

Concerning human rights, the situation has not at all changed over the years. While the legislation on the freedom of conscience and religious belief intended to be strengthened by a new bill in 2006, it was too vague and imprecise, thus generating possible loopholes (Venice Commission, 2006a, p. 11). Moreover, ill-treatment, torture and xenophobia still exist in the Ukrainian society, particularly in prisons (European Commission, 2009a, p. 4). Ukraine is furthermore not capable of sufficiently dealing with asylum-seekers. Police authorities are disregarding asylum procedures and are sending people to countries where human rights violations are likely to occur to them (Amnesty International, 2009a).

To sum up, Ukraine has managed to establish core democratic mechanisms, such as free and fair elections, considerable freedom of the media and a vibrant civil society. Yet, governance structures and the granting of human rights within government authorities need to be improved in order to ensure further democratisation.

4.1.2 Process tracing

2005

The official start of the ENP Action Plan falls together with the Orange Revolution, which took place from November 2004 to January 2005. Huge public protest arose due to the presidential election result, which gave the victory to Viktor Yanukovych and not to Viktor Yushenko, who had been leading in the polls. Persistent demonstrations in the whole country led to a new final vote, which was clearly won by Yushenko, who was inaugurated in January 2005. The first few months were dominated by investigations against former officials from the Kuchma regime, displaying a new efficiency in the government.

One of the first critical commitments to be followed was the instalment of a constitutional reform, which turned Ukraine from a presidential towards a semi-presidential republic, by shifting powers from the president to the parliament and to the prime minister. This constitutional reform was criticised for several reasons. First, the reform lacked a societal process of agreement. It was rather a back-door agreement between Kuchma and Yushenko in order to make new presidential elections possible in 2004. Second, there was no full consistency between president, parliament and cabinet, which would lead to new political power struggles. Third, the role of the General Prosecutor needed strong improvement. Thus, the Venice Commission concluded that constitutional reform did not have the intention to establish a functioning separation of powers (Venice Commission, 2005, p. 9).

In September 2005 the coalition that had led the Orange Revolution broke up. The parties could not agree on revising unlawful privatisations, thus launching an early start-off in the 2006 parliamentary elections. It showed that president Yushenko did not manage to unite the political parties after the Orange Revolution. This hampered both the ability but also the willingness to launch further wide-reaching democratic reforms.

2006

For 2006, the parliamentary elections brought Yanukovych as prime minister back on the political stage, as he formed a coalition with the Socialist leader Moroz, who had been part of the Orange coalition before. Due to the constitutional reforms, Yanukovych now had a lot more competencies. This led to a stalemate between Yushenko and Yanukovych in the government. Conflicts on the final authority arose on appointing ministers and removing governors from the Ukrainian regions. This culminated in Yanukovych presenting a draft Law on Cabinet of Ministers, after which the power of the president was further limited. Yushenko immediately vetoed this bill, fearing that the impact of the Orange Revolution would have been lost. However, despite the lack of constitutional degree, this draft law would have been of crucial importance for a functioning executive, as it ensured further conformity in the process between president and cabinet (Venice Commission, 2006, p. 7). This reveals that power politics were more important than an improved functionality between parliament, cabinet and president.

2007

The continuing dissonances between Yushenko and Yanukovych led to pre-term parliamentary elections. After members of parliament of Yushenko's party 'Our Ukraine' had defected illegally to Yanukovych's bloc, Yushenko issued a decree for dissolving the parliament and announcing new parliamentary elections. This was contested by the parliament and referred to the constitutional court. When the constitutional court decided

over his decree, Yushenko fired three judges for being corrupt. Ukraine faced a serious governmental crisis (Amnesty International, 2008). The subsequent power struggle was solved by an agreement to have elections in September. The parliamentary elections put Yushenko's former ally Yulia Tymoshenko back into office. However, as Tymoshenko had been supporting Yanukovych's bill on limiting the president's powers, the relationship was deeply harmed. Especially these personal dissonances stalled the reform process (European Commission, 2008a, p. 2).

2008

The former Orange allies Tymoshenko and Yushenko continued their political fight in 2008. In order to block Tymoshenko's decisions, Yushenko issued over 800 decrees in 100 days. Following a renewed coalition between Tymoshenko and Yanukovych, aiming to limit the president's power, Yushenko wanted to disband the parliament, also because his ruling coalition was breaking up again. This time, however, his decree was blocked by the parliament, which refused to fund the re-elections. The political power struggle ended with rulings from different courts. The judiciary was strongly put under pressure by both sides. Yushenko disbanded courts and installed new courts that would support his idea. These actions were strongly criticised by different actors in society, who saw the independence of the courts threatened (Human Rights Watch, 2008b).

Apart from that, a possible NATO membership was subject to intensified struggle. Whereas Ukraine and NATO tried to intensify cooperation, Russia's president Medvedev warned Ukraine about serious consequences if it joined NATO. This rather calmed down Ukraine's NATO aspirations, revealing the strong Russian influence (Amnesty International, 2009a). External pressure and a political power struggle were thus halting any further significant democratic reforms.

2009

2009 started with a Gas crisis. Russia refused to continue supplying gas, as it could not agree with Ukraine on prices and unpaid bills. Yushenko was under tremendous pressure from Russia and the EU, as the supply cuts also meant shortages for South Eastern Europe. After signing a gas transit contract over ten years, tensions eased a little and finally vanished when Ukraine and Russia agreed on signing an agreement for oil transit in December. Russia had put additional pressure on Ukraine, e.g. by refusing to assign a new ambassador to the country (BBC, 2011). Internally the run-up to the 2010 presidential elections manifested the political stalemate, since Tymoshenko, Yushenko and Yanukovych all decided to run for president. Several ministerial posts were vacant due to the power struggles between the candidates. The political leaders were afraid to lift the gas price, although the country was facing a harsh economic crisis and needed fiscal cuts. Little pressure to accountability made Politicians providing voters populist bestowments (World Bank, 2010, p. 2)

To sum up, Ukraine has faced turbulent years after the Orange Revolution. Various changes in the composition of government, personal antipathies between the main actors and foreign pressures by Russia prevented a more coordinated and deeper democratisation process. All major players were more concentrated on preserving their power rather than on stimulating democratic reform (Jarabik & Shaopvalova, 2010, p. 2). Furthermore, the constitutional background was inadequate to provide a framework in which difficult and politically challenging reforms could be debated without any lack of clear procedure. Thus, Ukraine, although having established to step forward in democratisation, did not at all use the potential arising out of the Orange Revolution. The following independent variables contribute to explain the process further.

4.1.3 Conditions for the Independent Variables¹⁸

Reviewing the *domestic political costs* for democratic compliance, most reforms took place in the beginning of the reporting period, i.e. in 2005 and 2006. As described above, several laws and measures were introduced to improve the standard of the judiciary and elections. The judiciary received a new judicial procedure code in 2005. Afterwards no significant improvement occurred in that field, with the constitutional court not taking a stance in the political power struggle between prime minister and president. The problematic position of the judiciary culminated with Yushenko firing judges and disbanding courts as a result of the verdict against his

¹⁸ The whole data set for size of rewards, economic development and economic freedom can be found in the Appendix (tables 8-14).

two decrees to dissolve the parliament in 2007 and 2008. This questioned the independence of the courts and reveals that costs for democratic compliance in that field turned out to be too high for Yushenko at that point of time. Yet, Yushenko had to pay this bill by losing popular support, as can be seen in his poor election result in the 2010 elections, with the electorate turning almost completely against him. Yushenko would have probably received a much better result by respecting the independence of the judiciary, which has been misused by other branches of power (Shapovalova, 2008, p. 5).

The relatively high standards of the post-Orange Revolution elections have been maintained throughout the period. Although not entirely satisfying International Organisations such as the OECD and the EU, these elections were constantly judged as free and fair and therefore marked a positive development. Yet, it should be pointed out that the public expected a high quality of elections. Due to a more active civil society, faulty elections would have probably turned into new protests. Domestic political costs would have been higher for Yushenko if he had allowed poor election standards. To sum up, domestic political costs deviate in both areas but by and large turn out to be low, especially when reconsidering Yushenko's political mistake to offend the independence of the judiciary.

Looking at the *size of rewards*, tax revenues tripled from 2004 to 2008, before falling harshly by 42% in 2009. EU subsidies did increase steadily, yet their percentage compared to the tax revenues declined from 1.8% to 1.05% in 2008, before increasing to 1.49% in 2009, due to falling tax revenues. This shows that although EU financial support increased by over €80 million in five years, it lost overall relative importance. Other major incentives were given in 2006 (EURATOM cooperation agreement) and 2007 (visa facilitation and the launch of negotiations on an Association Agreement). However, these rewards cannot substantially change the picture of low rewards, because Ukraine compares these rewards to an accession to the EU, which would have served as a strong anchor for further democratisation efforts (World Bank, 2010, p. i).

Concerning *economic development*, Ukraine's economy still suffers from an old Soviet economic structure (World Bank, 2010, p. 2). Old and inefficient industry facilities produce heavy pollution. A restructuring of the economy is not possible due to a lack of a clearly defined concept (Gorobets, 2008, p. 94). The composition of the economy was marked by an increase in the service sector (from 52% to 62% of GDP), by decreases in agriculture (12%-8%) and industry (36%-29%). This reveals both modernisation, but also export volatility of the Ukrainian economy, as the drop in industrial output in 2009 shows. The same is observed for total employment, although it should be noted that a disproportionally high share of the workforce is employed in agriculture (17% in 2007). This shows that Ukraine's economy has not totally adjusted to economies of scale, as too many workers still work in the increasingly unimportant agricultural sector.

Since 2004, Ukraine has been subject to fluctuations in economic growth. Whereas the economy grew with different rates, ranging from 2-12% between 2004 and 2008, it collapsed with a decrease of over -15% in 2009. Despite that downturn, GDP per capita grew by 61% from 2004 to 2009. Yet, this period was marked by serious inflation in Ukraine, ranging from 9% to 25%, thus consuming most of the growth rate, leaving an increase of Purchasing Power Parity (PPP) by 6.3% overall to €4616. Income inequality remained the same over the period, with the lowest fifth receiving 9% and the highest fifth receiving 37% of the income. Whereas unemployment decreased by 3% from 2004 to 2008, it returned to the 2004 level of 9% in 2009. As a consequence, up to 2009 the economic development has been favourable for economic development, yet hampered by high inflation. However, for the whole period the overall economic development is judged as positive, since the country has improved compared to 2004 and showed its potential for further growth before the economic crisis.

The *institutional set-up* has changed with the constitutional reforms that were implemented prior to the 2006 parliamentary elections. Regarding legislative-executive relations, the right of dissolving the cabinet was taken away from the president. Apart from that, Ukraine is still a semi-presidential republic, in which the people elect the president directly. Although not formerly being part of the government, he is allowed to nominate the prime minister, as well as appointing the foreign and defence ministers, veto laws, disband the parliament and call for early elections. The parliament can overturn presidential vetoes with a 2/3 majority and has to approve all cabinet nominations by the president. However, as mentioned above, the constitutional relationship between the president and prime minister remains controversial. This has hindered the

performance of the parliament from 2006 onwards. Addressing the number of parties in parliament, in 2004 there were six parties/blocs, which had managed to jump over the threshold of 4%. After the constitutional reform, this threshold was lowered to 3%. Interestingly, only five parties/blocs managed to cast enough votes in the 2006 and 2007 parliamentary elections, which were held according to a fully proportional system, removing the semi-proportional semi-majoritarian election system prior to constitutional reform. To sum up, Ukraine has managed to set up a system somewhat responsible to the ethnic cleavages in society. Yet constitutional shortcomings and resulting quarrels over competencies limited the effectiveness of this arrangement significantly. It can therefore be judged as insufficient.

The outcome for *economic liberty* is twofold. From 2004 up to 2008, absolute imports doubled, before falling tremendously by a third in 2009. Exports even tripled between 2004 and 2008, but only fell by 7% in 2009. However, both imports and exports have grown substantially overall. Yet, it should be noted that both import quotas (54%-48%) and export quotas (61%-46%) fell. This also applies to the trade share with the EU, which has decreased from 33.1% to 25.4% over the years, revealing that the economy began to concentrate more on domestic products, leading to a relative decline of foreign trader's influence in the daily economic process. In terms of corruption, the TICPI returned, after increasing a little in 2006 and 2007, to the 2004 value of 2.2 in 2009. This displays a very high degree of corruption, hampering entrepreneurship and preferable investment conditions (OECD, 2010, p. 5), and on top of that manifesting the dominance of Ukrainian oligarchs (Kubicek, 2009, p. 331). Another problem is the persistent lack of legal uncertainty in the country. Thus, economic liberty can be ruled as limited.

Table 4: Conditions of the Variables for Ukraine

Country	Democratic Compliance	Domestic political costs	Size of rewards	Economic development	Institutional set-up	Economic liberty
Ukraine	Compliant	Low	Low	Positive	Insufficient	Limited

To sum up, as shown in table 4, the two variables '*domestic political costs*' and '*economic development*' fit the theoretical expectations. Hypotheses 1 and 3 apply. Conversely, the remaining variables '*size of rewards*', '*institutional set-up*' and '*economic freedom*' are contradicting the theoretical explanations. Hypotheses 2, 4 and 5 do not apply. They show the obstacles Ukraine has and help to explain why Ukraine has not democratised further.

4.2. The noncompliant case: Moldova

4.2.1 Democratic Compliance in Moldova

Turning towards Moldova, official relations with the EU were established in the agreed PCA from 1998, which concentrated on economic matters. In the following years, the EU became the biggest donor in Moldova, providing macro-financial aid and support in food security. The relations were extended in 2002, with the EU supporting the judicial system and assisting harmonisation of Moldovan law with EU standards. Moldovan officials perceived this development positively as a clear sign of change in the importance of Moldova for the EU (McDonagh, 2008, pp. 155-156).

Assessing the democratic situation in the 2004 Country Report, the Commission recognised that elections were working well on paper, yet not in reality. Intimidation of opposition candidates, clear bias towards incumbent authorities on state television and concerns about the secrecy of voting were present throughout the campaign and on polling day. The same applied to the judiciary, in which officially independent judges were subject to external pressure and corruption. Moreover, public administration was still entangled in post-Soviet structures (European Commission, 2004c, pp. 6-9). In the follow-up Action Plan, both parties agreed that Moldova would address these shortcomings, concentrating on the freedom of media and expression and the reinforcement of administrative and judicial capacity. Other actions comprised measures against human trafficking, as well as the fight against corruption and ill-treatment. The top priority of this Action Plan, however, was to resolve the ongoing conflict in Transnistria (European Commission, 2004d, pp. 2-9). Overall, the ENP was welcomed very much by Moldovan officials as a further opportunity to bring Moldova closer to the EU (Lupu, 2010, p. 17).

Reviewing the first five years of the implementation of the ENP Action Plan, Moldova can be regarded as a noncompliant case. Looking at the different measures that the Moldovan government undertook in the five-year period, the outcome seems impressive at first glance, since many provisions, concepts and laws have addressed points of the Action Plan. The amount of measures to be adopted is dependent on the relatively stable communist government up to 2009. Nevertheless, the implementation has never been satisfactory to the Commission, which has always been reluctant to trust in the enforcement of new laws and strategies. The same applies to FH, which has not changed its combined rating (3.5) until 2009 (4.0), when it downgraded political rights because of fraud in budget allocation, restrictions of access to information and abuse of anticorruption investigations for political purposes (FH, 2009). This was reversed for the year 2009 (3.5), since new elections secured the transfer of governmental responsibility to the Alliance for European Integration (AIE) (FH, 2010)¹⁹.

Taking a closer look at the different fields, elections occurred twice on the national level and once on the regional level. While on election days the elections were mostly in line with international standards, there were consistent shortcomings in the pre-election process. Restrictive legal provisions and interference by local authorities hampered campaigns of opposition candidates. Public employees were subject to coercion and pressure and misused for the campaigns of the ruling Communist Party (PCM) (OSCE, 2005, p. 3). Accepting the overall elections, the Commission repeatedly pointed out problems of equitable media access for all candidates and unequal opportunities for citizens to seek office. Lifting the voting threshold from 4% to 6% in 2008 and strongly decreasing the possibility of running in blocs limited the power of small opposition forces, as this procedure would produce a lot of wasted votes (Venice Commission, 2008, p. 12). In terms of compliance this meant a regressive development compared to the reform efforts taken in 2007 (Venice Commission, 2008, p. 15).

The media has constantly been misused by the PCM, leading towards a clear media bias in favour of the government. In 2008, President Vladimir Voronin forbade all civil servants other than press officers to talk to media stations. Furthermore, Romanian media did not receive a new accreditation for broadcasting, leaving the government-friendly television 'Moldova1' as the only nation-wide broadcaster (European Commission, 2009b, p. 2).

Concerning freedom of expression and assembly, the Commission welcomed the concepts and plans adopted by the parliament to involve civil society to a larger extent (European Commission, 2006b, p. 2). In 2008, the new law on freedom of assembly marked a great step towards the assurance of freedom of expression. However, local authorities and police officers constantly restricted the application of these provisions (Amnesty International, 2009b). Ill-treatment and torture also continued to be a problem. Although the government passed laws against torture in 2005 and 2008, which were warmly welcomed by the EU, the problem remained widespread and systemic in detention facilities. This was due to a low rate of investigations on act of torture and ill-treatment, in particular during the mass protests after the 2009 elections (Amnesty International, 2010). As a reaction, the Commission reemphasized the importance of mechanisms designed to prevent violations of human rights and fundamental freedoms (European Commission, 2010d, pp. 2-3).

Another critical point is the poor implementation record of passed legislation. The Commission reluctantly approved judicial, parliamentary, media and anti-corruption reforms because it awaited the correct implementation. It called for prioritisation and concentration of resources of the Moldovan government to ensure that at least parts of the reforms were effectively implemented (European Commission, 2008b, p. 2). Often legislation such as on the conflict of interest of public officers lacked substantive provisions and clarifications on personal and temporal dimensions (Venice Commission, 2007, p. 5). Therefore good governance remains one of Moldova's key priorities, in particular on the national level (World Bank, 2009, p. 6). Especially the justice system is in an alarming state, lacking both procedural and organisational resources (OSCE, 2009, pp. 7-9).

To sum up, Moldova's approach to the Action Plan can be regarded as a "fake implementation" (Minzarari, 2008, p. 30). Most of the reforms were adopted to please the EU but lacked domestic political

¹⁹ It should be noted that these rating only apply to Moldova, but not to Transnistria. Between 2004 and 2009, Transnistria was constantly rated as not free, with a freedom score of 6.

confidence (de Wekker & Niemann, 2009, p. 23). During the 2009 governmental crisis and especially in the prelude of all national elections, civil liberties have not been respected. Whereas Moldova did well on paper, the actual democratic conditions have not significantly improved.

4.2.2 Process Tracing Analysis

2005

After adopting the Action Plan in February 2005, parliamentary elections took place in March. The Communists (PCM) kept their absolute majority and re-elected president Voronin with some support from the opposition. Six days after the elections, former defence minister Pasat was arrested for receiving a \$10 million bribe in an arms sale to the US in 1997. He claimed that this arrest was politically motivated, as he had supported the opposition in the pre-election campaign (BBC, 2010a). The first action of the parliament was to back a Ukrainian Plan for Transnistria, which called for a withdrawal of Russian troops. A pro-European turn was visible, despite clear internal power politics and intimidation of oppositional forces.

2006

2006 was marked by the foreign political crisis with Russia. In January the Russian Oil Company Gazprom cut off gas supplies after Moldova refused to accept a doubling of the prices, but relented and reached an agreement later that year. In March, Russia prohibited the import of Moldovan wine, a considerable branch of Moldova's exports. The wine export crisis resulted from a conflict between Moldova and Russia over Transnistria's independence and Voronin's subsequent rejection of Russia's Kozak memorandum – a plan that would have federalized Moldova but would have let the Russian army stay in Transnistria. The wine import ban was lifted when the Moldovan government threatened to refuse Russia's WTO accession (FH, 2007). Due to the tensions with Russia, Voronin's foreign policy turned even more towards the EU. The PCM initiated many democratic reforms, yet without causing any effective democratic change. Thus, these measures can be understood as an appeasement.

2007

2007 marked a turn-around in EU-Moldovan relations. With Romania joining the EU in 2007, many Moldovans used the opportunity to apply for Romanian citizenship in order to benefit from European citizenship. This was made possible by Romanian law due to the pre-World War II belonging of Moldova to Romania. Perceiving a threat to the Moldovan nationhood, Voronin's government tried to block this process, for example by refusing to grant extra Romanian consulates in Moldova. Meanwhile, Voronin tried to improve relations with Russia on Transnistria. However, until late 2007 wine could not be exported to Russia due to import restrictions. In local elections, the PCM only received a third of the votes cast and also lost Chisinau's mayor's office to a 28-year-old human rights activist of the Liberal Party. This clearly showed the loss in popular support (FH, 2008). 2007 revealed that the EU was only interesting for the government in terms of support, but not in terms of common values.

2008

Voronin continued his pro-Russian turn in 2008. He declared Moldova's formal neutrality, thus freezing Moldova's possible NATO prospects and appeasing Russian security interests (Socor, 2008). Moreover, he met the Transnistrian leader Smirnov for the first time after seven years and agreed to resume peace talks that had been halted since 2001. As a result of the poor results in the local 2007 elections, he reorganised his cabinet and replaced Prime Minister Tarlev with Zinaida Greceani. At the same time, his majority in parliament lifted the earlier lowered threshold from 4% to 6% and forbade all civil servants other than press officers to talk to media stations. Furthermore, Romanian media did not receive a new accreditation for broadcasting, leaving the government-friendly television as the only nation-wide broadcaster. On top of that, a lot of corruption charges were set against leaders of opposition parties, although such procedures had been very rare in the past. 2008 clearly showed that the government wanted to preserve its power by all political means, including a backward step in the reform process.

2009

In April 2009, after the Moldovans faced a cut-off in Russian gas supplies due to the above-mentioned Ukraine-Russian dispute over gas prices, parliamentary elections were held. The announcement of the PCM as clear winners led to public protest. There were widespread claims of electoral fraud because the result did not reflect earlier polls. The situation escalated and led to a storm on governmental buildings. In the following days, there were hundreds of claims of human rights violations against police forces (Amnesty International, 2010).

Since the PCM did not receive enough votes to elect the president, the parliament was dissolved and re-elections took place in July. The PCM lost its majority and Voronin stepped down from his position as parliament speaker, which he had acquired in the meantime. The opposition united as the 'Alliance for European Integration', but was not able to elect a president either, since their candidate Lupu did not receive the necessary votes from the opposition in November and December 2009. While the Liberal Democratic Leader Filat became prime minister, the elected AIE parliament speaker Ghimpu acted as interim president (BBC, 2010a). After getting into office, the new government immediately improved relations with Romania by lifting up visa requirements for Romanian citizens and overturning a law on barring public servants from holding dual citizenship.

To sum up, Moldova's development in the five-year period can be described as that of a stable authoritarian government, which was always primarily interested in preserving its power. Voronin's internal power was so stable on the national level that no democratic force could emerge. Rather than concentrating on domestic reform, Voronin was very active in foreign politics in order to have his power secured. Foreign politics have turned from pro-European towards pro-Russian. The EU, whose preferences attracted a lot of Moldovan citizens and threatened Moldovan nationhood, did not back his authoritarian government style. The collapse of Voronin's government in the second 2009 elections reveals the hidden desire for more democratisation. However, since no political alliance is able to cast enough votes to elect a president, Moldova ended up in a political crisis. The new AIE government reversed that direction. Yet, it remains to be seen whether the AIE is able to conduct effective democratic reforms, as the alliance has remained very fragile (Popescu, 2009, p. 3).

4.2.3 Conditions of independent variables

Assessing *domestic political costs*, the difference between adoption and implementation in Moldova is clearly observable. The judiciary has been improved with a law against torture in 2005, the provision of a judicial training facility in 2006 and with the adoption of a law enforcing the rulings of the European Court of Justice in 2008. Yet, various human rights violations after the elections in April 2009 question the wholeheartedness of the PCM government in improving human rights standards. While the conduct of the elections was generally judged as sufficient, the prelude was marked by oppression of opposition candidates and biased media reportage. All in all, the PCM did not comply with democratic standards whenever costs turned out to be too high. Therefore the domestic political costs can be judged as high.

The *size of rewards* in Moldova is very high. Overall, the percentage of EU subsidies compared to tax revenues increased over the years from 5.15% in 2004 to 14.45% in 2009, marking a considerable influence on financing public projects in Moldova. The increase from 2004 to 2005 is remarkable, increasing by 6%²⁰. In 2007, the percentage dropped back to 6% before then steadily increasing over the years. Regarding additional cooperation, the EUBAM mission, assisting in the fight of cross-border crime, started in 2006 and has continued its operations up until now. Furthermore, additional autonomous trade preferences, visa facilitations and readmission agreements were granted to Moldova.

Moldova's *economic development* has been positive, although the global and financial crisis hit the country in 2009. However, it should be noted that the country still remains on a low economic level. Moldova's economy has been facing massive labour migration, low quality of economic growth and a poor investment environment. However, remittances raised domestic demand considerably (Gudin, 2005, p. 24). The economic composition of Moldova in the five years marks a strong decrease of agriculture (20%-10% of GDP), a small reduction in industry (17%-13%), and a huge increase in the already dominant service sector

²⁰ This is due to an increase in the TACIS national programme by €42 million. This particular subsidy was not granted in 2004 and in 2006.

(62%-77%). Interestingly, however, over a third of the workers are still employed in agriculture. This means a slow transformation of the workforce to more important and profitable sectors of the economy. Unemployment halved from 8% to 4%, before going up to 6% again in 2009.

Within the reporting period, there was relatively stable economic growth until 2008, before the economy decreased in 2009 by -6%. With the exception of the crisis year 2009, Moldova faced a constant inflation of 12-13%, which counteracted real economic prosperity. PPP increased only by 18%, a relatively low number compared to the 88% increase in GDP per capita. Income inequality increased slightly. Whereas the income share of the lowest fifth remained steady at 7%, the share of the highest fifth increased from 43% to 45%, thus decreasing the relative share of the middle classes. In general, the economic development has nonetheless been positive, as the situation has significantly improved over the years, despite high inflation and the economic downturn in 2009.

Concerning the *institutional set-up*, the constitutional amendments in 2000 turned Moldova from a semi-presidential towards a parliamentary system. The president is elected by the parliament having to win at least 60% of the votes. He appoints the cabinet ministers, who are subject to the parliament's approval. There seems to be a properly designed checks-and-balances system between the executive and the legislative. Yet, approaching the situation between 2004 and up to 2009 reveals a different picture. The PCM had an absolute majority, allowing president Voronin to build his government on a stable faction in parliament. Despite the shift from a semi-presidential to a parliamentary system, Voronin turned out to be more powerful than his predecessors (Roper, 2008, p. 114). The PCM's political dominance was also due to the limited number of parties. From 2001 to 2009, only three parties were able to jump over the threshold of 6% for single parties. The threshold was even higher, with 9% for blocs consisting of two parties and 12% for blocs of three parties (ADEPT, 2011). Although Moldova has a proportional electoral system, the relatively high threshold limited the proportionality in parliament. As a result, Moldova's institutional set-up has remained insufficient to address the cleavages in society.

Moldova's *economic liberty* has slightly improved. From 2004 to 2008, imports more than doubled, before the crisis in 2009 led to a strong decline, which did not lead to a fall back to the 2004 level, however. The same applies to exports, which had almost doubled by 2008, but then fell by 20% in 2009. What should be noted here is that Moldova has been a net importer. The import share of the GDP has gone up from 82% in 2004 to 97% in 2007, before declining to 73% in 2009. Conversely, the export share of GDP has been declining from 51% in 2004 to 37% in 2009. The trade with the EU share thereby decreased from 51.7% to 39% in 2008, before climbing up to 47% in 2009, revealing a strong EU trade influence. Concerning FDI, Balance of Payments quadrupled from 2004 to 2008, before crashing tremendously and ending up with low €87 million in 2009. This shows that along with the economic crisis, the turmoil might have deeply decreased confidence in Moldova's economic stability and economic liberty. Regarding corruption, Moldova's perceived performance has slightly improved. Whereas the TICPI score was at 2.3 in 2004, it ranked 3.3 after slight fluctuations. Thus, from these measurements, Moldova's economic freedom has slightly increased over the years. Despite these slight improvements, corruption still remains a strong obstacle for Moldova, hindering good governance (Lupu, 2010, p. 20). Therefore, Moldova's economic liberty should be judged as limited.

Table 5: Conditions of the Variables for Ukraine

Country	Democratic Compliance	Domestic political costs	Size of rewards	Economic development	Institutional set-up	Economic liberty
Moldova	Noncompliant	High	High	Positive	Insufficient	Limited

From testing the independent variables, as displayed in table 5, it appears that '*domestic political costs*', the '*institutional set-up*' and '*economic freedom*' are in line with the expectations of a non-compliant case. Hypotheses 1, 4 and 5 apply. Interestingly, both '*economic development*' and '*size of rewards*', which has revealed huge benefits for Moldova, contradict that picture extensively, since hypothesis 2 and 3 do not apply. The large size of rewards meanwhile helps to understand why Moldova conducted the 'fake implementation'. It is likely that it put some effort for launching on-paper reforms in order to continue

receiving the benefits. To acquire a better understanding the comparison with Ukraine is helpful to solve the remaining pieces of the puzzle.

4.3 Comparison

After this analysis, the comparison of Moldova and Ukraine links the two interconnected parts. At first, the conditions of the independent variables are compared in order to see whether there is one diverging variable possibly able of explaining the content. This result is discussed in light of the two process tracing analyses, which offer a way of checking whether this explanation is suitable.

When comparing the independent variables, as presented in table 6, all internal domestic factors have the same values in both countries. Both countries suffer from an insufficient '*institutional set-up*'. While Ukraine's constitutional inaccuracies have led to a power struggle that distorted democratisation considerably, Moldova's favourable institutional set-up was actually negated by the relatively high thresholds for parties and blocs. As a consequence, both countries fail to sufficiently address mutually reinforcing cleavages within their institutional set-up, leading to the fact that particularly the parliaments did not have the power to call for further democratisation. Concerning '*economic freedom*,' both countries are relatively open economies and have managed to increase their imports and exports significantly. Yet, economic freedom is highly hampered by high corruption, therefore limiting the prospects in both countries. Nevertheless, it should be pointed out that while Ukraine had returned to its low 2004 level in 2009, Moldova had a small but robust improvement, which however is far from guaranteeing stable entrepreneurship however. The dependence on the goodwill of government authorities thus limits the perspectives for democratisation.

Table 6: *Conditions of Variables for Moldova and Ukraine*

Country	Democratic Compliance	Domestic political costs	Size of rewards	Economic development	Institutional set-up	Economic liberty
Moldova	Noncompliant	High	High	Positive	Insufficient	Limited
Ukraine	Compliant	Low	Low	Positive	Insufficient	Limited

'*Economic development*' deserves a little more consideration. Both countries, although suffering from high inflation, show a positive economic development from 2004 to 2008. The crisis in 2009 interrupted economic growth and caused another rise of unemployment rates. Although the decline was much sharper in Ukraine, it should be noted that Ukraine is the wealthier country of the two and has a lower income inequality. Looking at the democratisation process, it is interesting to see that the democratisation processes halted with the deteriorating economic development in both countries in the last two years. However, the democratisation process in the first three years is not entirely coherent with economic development, and poorly helps to explain the different outcomes in both countries according to the most-similar method.

Turning towards the external intergovernmental factors, it turns out that both countries score differently on '*domestic political costs*' and '*size of rewards*'. Moldova experienced high political costs as the government misused the judiciary and other institutions whenever its power needed to be secured, for example in the prologue of elections. Democratic principles that had been introduced or emphasised before were neglected at these crucial points in time. Ukraine scored low on political costs since the Orange Revolution had revealed the potential power of civil society and public expectations of a proper conduct of elections, which has remained constant over the years.

The EU's '*size of rewards*' for the Ukraine turns out to be small, as financial and political support did not provide any considerable aid to stabilize governmental conduct. The EU's incentives for Moldova reveal a different picture. They substantially add to the public financial capacities in the country. Furthermore, the EUBAM mission turned out to be important for stabilising the cross-border issues with Transnistria, which is of higher importance to Moldova than to Ukraine.

This leads to two interesting cost-benefit analyses in both countries. Whereas Ukraine has low political costs and rewards, Moldova encounters high political costs, but also receives high rewards from the EU. However, Ukraine did eventually comply, whereas Moldova did not. One possible explanation for this puzzle is the weight of the two variables. It seems that domestic political costs impress governments more than the size of external rewards for the country. What should be noted is that the credibility of threats of

withholding these rewards is rather low. It has never been applied in ENP partner countries (Mocanu, 2010, p. 47; Tocci, 2005, p. 26). The only strong conditional element was the launch of negotiations on Association Agreements, which was tied to a proper conduct of free and fair elections. Overall, the variable '*size of rewards*' can be considered as weak. It appears that '*domestic political costs*' turns out to be the crucial factor.

Applying domestic political costs to the two process tracing analyses, this factor appears to explain both cases at all relevant points in time. In Ukraine, the Yushenko government managed to introduce several democratic reforms between 2005 and prior to the parliamentary elections in 2006, which marked the beginning of the big internal power struggle. Afterwards, it was very difficult for both Yushenko and his opponents Yanukovych and Timoshenko to launch further democratisation reforms, as this might have reduced their power options, which they needed in order to remain on the political stage. Thus, with rising internal domestic costs, further democratisation was hardly possible, as can also be seen in the relatively low number of reported attempts to launch legislation in the later years. At the same time the Ukrainian government was aware that cutting civil rights was no option either, as the civil society remained fairly active and would have caused a threat to Yushenko's presidency.

In Moldova domestic political costs for launching reforms were very low in the beginning. As a result, the government could profit from improving relations with the EU, as the relations with Russia were not good at all. However, the enforcement of such rights would have caused high power cost, in particular when the PCM government feared that free and fair elections would take the power away from them. The problems that arose around 2007 due to the mass application for Romanian citizenship revealed that democratic reform and Europeanness were too costly for the government, which feared the loss of Moldovan statehood. The measures to hold the nation together were contradicting the previously adopted reforms.

To sum up, from this brief comparison the most decisive factor that serves best to explain the difference in compliance is '*domestic political costs*'. Since all internal domestic factors receive the same values, and the variable '*size of rewards*' has a weaker status, '*domestic political costs*' is left and able to explain the different outcome.

5. Conclusion

This comparative case study tries to explain the different outcomes on democratic compliance for Moldova and Ukraine in the first five years after launching the ENP. After tracing the process in both countries and enriching it by comments of the EU, five independent variables are tested. They consist of external intergovernmental factors ('*domestic political costs*' & '*size of rewards*') and domestic societal factors ('*economic development*', '*institutional set-up*' & '*economic freedom*'). After a description of these developments, these factors are dichotomized in order to fit the most-similar method in a comparison.

While Ukraine managed to improve its democratic conduct, Moldova was less successful in that respect. Two things are important to mention in this regard. First, this study acknowledges that the EU did not envision a fast and complete democratisation of ENP partner countries, but expected only modest improvements. Therefore, the study has taken into account that minor improvements already play a significant role. Second, when weighting democratic elements, this study gives preference to electoral democratic elements, since a proper conduct of election legitimises governments. Other civil liberties are identified but not weighted equally in the consideration. As a consequence of these two factors, it is important to point out that a complying and a non-complying case may not differ so much as this distinction implies at first sight.

This particularly applies to Ukraine and Moldova. A major distinction between the two is that Ukraine has significantly improved and maintained a high level of electoral standards, including the preceding campaigns. This fundamental element of democracy has not sufficiently been installed in Moldova. Moreover, Ukraine managed to implement a relatively free media system and to involve civil society. Moldova, while initiating various democratic reforms, has not improved its governance effectively. It should be clearly pointed out that this study has only focussed on the chapters of the Action Plan that deal with democratisation. Therefore, it cannot be viewed as a review of the compliance to the ENP as a whole.

Explaining this outcome, it turns out that both countries score similar values for all domestic societal factors. *'Economic development'* has been positive in both countries, but high inflation and the economic and financial crisis hinder a higher degree of prosperity. It should be mentioned that Ukraine's economic development has a comparatively higher level. However, it remains on an internationally low level; and the sharp decrease during the financial crisis has hampered Ukraine more than Moldova. *'Economic development'* is therefore ruled out. The same applies to the *'institutional set-ups'* in both countries, which are insufficient for addressing persisting ethnic and linguistic cleavages. Ukraine's lack of constitutional clarity has led to a stalemate in politics, equalising the low threshold and the proportional voting system. Conversely, despite having a parliamentary system with proportional representation, the relatively high thresholds impede a multitude of parties in the Moldovan legislative. Moreover, the vast spread of corruption in both countries hampers *'economic freedom'*, despite a sharp increase in trade volume.

On the contrary, external intergovernmental factors have different results. Ukraine scores low on both *'domestic political costs'* and *'size of rewards'*. Monetary and political rewards were relatively small compared to the national tax income and population. *'Domestic political costs'* were rather low, since Yushenko's administration was expected to launch reforms in the aftermath of the Orange Revolution. When it failed to continue along that path, Yushenko did not win the presidential elections in 2010. Conversely, Moldova has received large rewards. The EU's financial instruments and political cooperation, in particular with regard to Transnistria, considerably added to the political capability of the country. Political costs, however, turned out to be high, since the Voronin government always negated democratic standards and good governance when they could have threatened its existence.

Comparing the strength of the two variables, *'domestic political costs'* seem to have a stronger impact for two reasons. First, they directly influence whether a government remains in power. Rewards are of rather secondary importance, as they produce an extra carrot. Second, the EU has always granted rewards within the ENP framework once they had been assured. It has neither refused to transfer them nor even threatened to withhold them. Thus, both target governments were aware that the rewards would probably flow to the target countries anyhow. From this analysis *'domestic political costs'* seem to be the decisive variable that explains the different outcome. This finding confirms what earlier research has predicted (Kelley, 2006; Schimmelfennig, 2005; Schimmelfennig et. al, 2003; Schimmelfennig & Scholtz, 2008). It implies that the EU's influence on the target governments is low. Altering cost benefit analyses with the ENP can be ruled out for both Ukraine and Moldova. It is even questionable whether the ENP would have had a different impact if the EU had offered a membership perspective, at least in the Moldovan case. The finding of the study is that democratic principles have never prevailed over governmental power considerations. Unless this does not change, the impact of the EU's policies on democratisation is low.

Judging on this finding, however, much more research needs to be done, analysing distinct parts of the aspects mentioned in this analysis. In further studies, the independent variables ought to have a more detailed measurement in order to reveal more precise conclusions. Yet, apart from measurements, there are also various issues further research might be devoted to. When reviewing the EU's influence, this study has concentrated on the intergovernmental channel, applying the external incentive model. There is criticism that one should not only concentrate on the target government's costs, but rather concentrate on whether the incentives are sufficient for mobilising opposition forces and civil society (Sasse, 2008, p. 303). This transnational channel is particularly interesting in countries with increasing competition between authoritarian and Western-oriented parties, such as in Ukraine and Moldova. Further research might look into how the EU tries to strengthen civil society with regard to democratisation (Gawrich, Melnykovska, & Schweickert, 2010, p. 1212). The Orange Revolution in Ukraine and the protests against the April 2009 election results in Moldova reveal that there is a potential in both countries to organise a voice that constantly influences everyday decision-making (Bogomolov & Lytvynenko, 2009, p. 77). Hence, with the increase in civilian power the transnational channel might gain importance in the future.

Concerning domestic factors that affect the democratisation process, elite networks in both countries might be further examined. It is of interest to see how business elites are involved in governmental structures, and how they try to increase and preserve their power. These behind-the-scene processes might either stimulate or block democratisation progress. Once clearly identified, the elite's attitude towards the EU and

democratisation emerges as another field of research. When analysing the countries' elite structures, one might build up on initial descriptive research (Kubicek, 2009; Minzarari, 2008; Puglisi, 2008). Apart from business influences, another interesting field is the actual implementation of reform steps within the countries' administration. Thereby research on governance structures might also help to detect problems within the process of adoption and implementation of reforms. Although it is difficult to compare the countries on the matter of federalisation, it might reveal hints regarding structural advantages and disadvantages of both countries that might be able to explain pitfalls in the democratisation process.

A last critical point mentioned here is that the outcome on compliance might not hold for the future of both countries. In Ukraine, as mentioned above, Yanukovich won the presidential elections in 2010, with Yushenko losing dramatically and leaving the Ukrainian political stage. Fears have arisen that the election of Yanukovich could mean a backward step in the democratisation of Ukraine. Yanukovich established more stability in the country. By postponing parliamentary elections and revoking the 2004 constitutional reforms in 2010, he strengthened his position as president (BBC, 2010b). It appears as if the price for this stable government has come to mean a retreat in democratic quality, visible in the increase of self-censorship in the media (Jarabik & Shapovalova, 2010, p. 2). In Moldova, the 2009 elections have broken the power of the PCM. Yet, the AIE has not managed to unite 3/5 of the parliament to elect a president, producing re-elections in 2010, which again led to a political stalemate. However, the AIE is willing to enforce democratic reforms. Thus, while Ukraine might decrease in democratic compliance, Moldova might improve.

Taking these considerations into account, this study argues tentatively that domestic political costs determine the different outcome for democratic compliance for Moldova and Ukraine. This finding hints at the self-interested attitude of two target governments, which prevailed over the chance for democratic reform and improvement of the people's conditions. Once the costs of keeping up authoritarian conditions – especially through the loss of public support – exceed those of implementing democratic reforms, it thus seems as if leaders in both countries show the willingness to allow for restructuring. Reflecting on the EU's role, it becomes evident that the ENP's potential is limited, as it does not significantly change the cost-benefit analyses of the ruling countries. This initial study, however, requires more in-depth research before coming to more specific conclusions.

6. Appendix

Data of the dependent variable

Table 7: Overview on Freedom House Scores from 2004-2009

Country	Scores	2004	2005	2006	2007	2008	2009
Ukraine	Combined score	4	3.5	2.5	2.5	2.5	2.5
	Political rights	4	4	3	3	3	3
	Civil liberties	4	3	2	2	2	2
Moldova	Combined score	3.5	3.5	3.5	3.5	4	3.5
	Political rights	3	3	3	3	4	3
	Civil liberties	4	4	4	4	4	4

Source: Freedom House (2004-2010)

Note 1. Freedom House annual country reports always cover the development up to the end of the previous year. This is considered here in the table. From 2005 onwards, the score of the following year's country report is considered. For 2004, both the 2004 and the reviewing 2005 scores are reported. The 2004 score is taken into account because this data was the most recent information when the EU entered negotiations on the Action Plan. The 2005 score, however, reviews the developments in 2004 up to the adoption of the Action Plan.

Note 2. Data was retrieved on May 25, 2011 from <http://freedomhouse.org/template.cfm?page=15>.

Table 8: *Commission's Assessment of Reforms in Ukraine*

Year	Democratic Reforms in the Country	Commission's Comment on Year's Progress
2005	<ul style="list-style-type: none"> Constitutional reforms Installing the National Commission for strengthening democracy and the rule of law New Code on Administrative Justice New judicial procedure code 	Considerable steps have been taken towards consolidating respect for human rights and the rule of law (e.g. removing pressure on the media and civil society, reform of the customs service) and a wide range of legislative reforms has been introduced. But progress is being hindered by endemic corruption, which is the main challenge to the development and economic growth of Ukraine, and by the lack of a truly independent judiciary."
2006	<ul style="list-style-type: none"> Plan Enforcement of judgements of the European Court of Human Rights National Anti-Corruption Strategy GRECO membership Ratification of UN Human Rights Protocols Media reform (public broadcaster and abolition of reporting restrictions) Ratification of UN Anti-Torture Protocols 	<p>"Overall, while good progress has been made since 2005, implementation of reform strategies has lagged behind since the beginning of 2006, mostly due to long pre- and post-election periods of political instability. It is vital for Ukraine's reform agenda that the country finds increased political stability."</p> <p>(European Commission, 2006a, pp. 2-3)</p>
2007	<ul style="list-style-type: none"> Establishment of a central voting register Law on the Cabinet of Ministers Establishment of National Constitutional Council Decree to inform detainees about their rights Actions to improve the development of the civil society 	<p>"Ukraine continued to make progress in most areas, although the pace of progress stalled somewhat compared to the previous years, in particular as regards economic and structural reforms, also due to the political instability which characterised most of 2007. Ukraine's positive record in the conduct of democratic elections of 2006 was broadly confirmed during the 2007 early parliamentary elections, and the freedom of the media further consolidated."</p> <p>"Constitutional reform to establish the necessary checks and balances between the main state institutions remains a key priority for Ukraine, as do further steps towards consolidating the rule of law through judicial reform, stepping up the fight against corruption (...)"</p> <p>(European Commission, 2008a, p. 2)</p>
2008	<ul style="list-style-type: none"> Action Plan to develop civil society Two year Action Plan to combat Xenophobia Laws enforcing gender equality 	<p>"Ukraine made progress in several areas covered by the EU-Ukraine Action Plan in the course of 2008 and continued to come closer to the EU through negotiations on an Association Agreement. Nonetheless the continuing political instability was not conducive to reform. Furthermore, there was a slowing in the pace of reform in the second part of the year, as a consequence of the deepening global financial and economic crisis."</p> <p>"However Ukraine made no or only limited progress in the implementation of some key political reform measures including constitutional and judicial reform and efforts to combat corruption."</p> <p>(European Commission, 2009a, pp. 2-3)</p>
2009	<ul style="list-style-type: none"> Amendments to the legislation on presidential elections Package of Anti-corruption laws adopted Law on freedom of assembly 	<p>"As in 2008, no progress was made on the issue of constitutional reform, which therefore remains a high priority. No or only limited progress was made with respect to judicial reform and anti-corruption measures. Further efforts are needed to fulfil several Council of Europe related commitments and to improve legislation in line with Council of Europe recommendations."</p> <p>(European Commission, 2010c, p. 3)</p>

Source: ENP country progress reports Ukraine (2006, 2008, 2009, and 2010)

Note 1. This table contains all reforms launched and implemented between 2005 and 2009 in the field of political reform. As the EU does not comment specifically on each of those reforms, the overall assessment of the year's political progress is cited here in order to outline the actual progress.

Note 2. The data was retrieved on May 25, 2011 from <http://freedomhouse.org/template.cfm?page=15>.

Table 9: Commission's Assessment of Reforms in Moldova

Year	Democratic Reforms in the Country	Commission's Comment on Year's Progress
2005	<ul style="list-style-type: none"> • Anti-Corruption strategy • Law against torture • Civil Society Concept (stronger involvement in lawmaking of the civil society in law-making) 	<p>"Overall, while progress was made since 2005, implementation of reform strategies remains a problem, even in areas where there has been good legislative progress. Moldova needs to concentrate resources in implementation and clearly prioritise action."</p> <p>"Even though Moldova conducted reasonably free and fair elections and has amended its electoral code, there are still a number of problems with regard to the functioning of democratic institutions. Freedom of the media is still far from ensured. Corruption is widespread and Government interference in business is a critical impediment to economic development. There is a need to clearly separate business and politics."</p> <p>"Parliamentary immunity also needs to be urgently clarified in legislation. Moldova needs to ensure better respect for human rights. Further reform of the judiciary, in particular to ensure its independence, is needed. Independent courts, clearly-defined and limited powers of the prosecutor-general and transparency and predictability of judgements are all key elements for a functioning democracy, as well as for attracting investment."</p>
2006	<ul style="list-style-type: none"> • New Electoral code • Judicial system reform (training facility for judicial personnel) • Abolishment of death penalty even in exceptional cases • Media reform and establishment of national public broadcaster • Parliamentary reform (procedures and parliamentary immunity) • Local self-government reform 	<p>(European Commission, 2006b, pp. 2-3)</p>
2007	<ul style="list-style-type: none"> • New Law on political parties • Establishment of National Institute of Justice established • National Action Plan against corruption • Ratification of UN Convention Against Corruption and Council of Europe Criminal Law Convention • Improvement of criminal code against human trafficking • Amending the law on NGOs 	<p>"The Republic of Moldova made good progress in most areas during the reporting period. The 2007 local elections were generally well administered and voters were offered a genuine choice."</p> <p>"At the same time, and in spite of progress made, effective implementation of reforms remains a challenge. This is particularly true in the areas of judicial reform and the fight against corruption as well as ensuring media freedom and improving the business and investment climate."</p> <p>(European Commission, 2008b, p. 2)</p>
2008	<ul style="list-style-type: none"> • law on public assembly • parliamentary reform • Reform on Public Prosecutor • Civil Service Laws • (Delimitation of political and non-political functions & Transparency in the Public Decision-Making Process) • Law on enforcing decisions of the European Court of Justice • New legislation on freedom of Assembly • Strategy for Development on Civil Society 	<p>"Moldova remains a partner having made substantive progress in governance and reform over the last years. Overall, during the reporting period, Moldova made progress in most areas of the ENP Action Plan. Major achievements during the reporting period were the pursuit of the reform of the judicial system, the agreement to publish reports of the European Committee for the Prevention of Torture (...) "</p> <p>"Nonetheless, Moldova made no or limited progress in the effective implementation of a number of reforms which constitute key priorities under the ENP Action Plan. These include in particular ensuring the fundamental freedoms of citizens, (...) and enforcing effectively national strategies in areas such as the fight against corruption, drugs and trafficking in human beings,...). As noted in the last report, inadequate allocation of resources, delays with the adoption of secondary legislation or insufficient</p>

		political backing constitute lasting impediments to the implementation of internal reforms. Moreover, the electoral law adopted in view of the April 2009 general elections constituted a regression.”
		(European Commission, 2009b, p. 2)
2009	<ul style="list-style-type: none"> • electoral reform • Installation of a bi-partisan commission of inquiry to investigate the April events • Establishment of National Council for Participation 	<p>“Efforts to effectively implement structural reforms, based on a strong European integration government programme aligned with the objectives of the EU-Moldova Action Plan, were stepped up in the last quarter of 2009. Dialogue with civil society noticeably improved and measures were taken to increase access to information and transparency of the public decision-making process. Amendments to the electoral code were adopted as requested by the Council of Europe’s Venice Commission, and progress was made in fighting corruption and money laundering as well as on judiciary reform and implementation of the rulings of the European Court of Human Rights.”</p> <p>“To fulfil the ENP Action Plan commitments, further progress is needed to strengthen the mechanisms designed to prevent violations of human rights and fundamental freedoms, ensure the neutrality of the public media and promote a pluralistic media environment. In addition, proper implementation of adopted legislation and further reform of the judiciary and the rule of law, intensification of the fight against trafficking in human beings, and improvement of the matching of labour market needs with skills development would be required to meet the commitments.”</p>
		(European Commission, 2010d, pp. 2-3)

Source: ENP country progress reports Moldova (2006, 2008, 2009, and 2010)

Note 1. This table contains all reforms launched and implemented between 2005 and 2009 in the field of political reform. As the EU does not comment specifically on each of those reforms, the overall assessment of the year’s political progress is cited here in order to outline the actual progress.

Note 2. The data was retrieved on May 25, 2011 from <http://freedomhouse.org/template.cfm?page=15>.

Data of independent variables

Table 10: *Relative Size of EU Financial Support*

Country	Indicator	2004	2005	2006	2007	2008	2009
Moldova	Tax revenue (€ in million)	342	444	532	662	846	692
	EU subsidies (€ in million)	17,6	50,7	32,3	63	97,1	100
	Percentage of EU subsidies compared to tax revenues	5,15	11,42	6,07	9,52	11,48	14,45
Ukraine	Tax revenue (current € million)	6935	11867	15242	17194	21998	13835
	EU subsidies (total mil. €)	124,8	151,9	150,3	181	193,5	206,4
	Percentage of EU subsidies compared to tax revenues	1,8	1,28	0,97	1,05	0,88	1,49

Sources: World Bank, x-rates.com, ENP country progress reports (2006, 2008, 2009, 2010), European Commission assistance programming documents, own calculation

Note 1. Data on tax revenue was converted from US\$ to Euro (€) with the historical annual exchange (ask) rates retrieved on May 25, 2011 at <http://www.oanda.com/currency/average>.

Note 2. The data on EU subsidies only includes money that was donated to specific public financed projects in both target countries. Low-interest loans provided by the EIB are not included.

Note 3. The values for ‘tax revenue’ are rounded up.

Table 11: *Key Indicators of Economic Development in Ukraine*

Indicator	2004	2005	2006	2007	2008	2009
GDP per capita (€)	1101	1471	1836	2243	2665	1775
GDP per capita, PPP (constant 2005 international €)	4342	4492	4852	5267	5407	4616
GDP growth (annual %)	12,1	2,7	7,3	7,9	2,1	-15,1
Inflation, consumer prices (annual %)	9	13,6	9,1	12,8	25,2	15,9
Unemployment, total (% of total labour force)	8,6	7,2	6,8	6,4	6,4	8,8
Income share held by lowest fifth (in %)	...	9	...	...	9	...
Income share held by highest fifth (in %)	...	37	...	...	37	...

Note 1. Data on GDP per capita and GDP per capita, PPP was converted from US\$ to Euro (€) with the historical annual exchange (ask) rates retrieved on May 25, 2011 at <http://www.oanda.com/currency/average>.

Note 2. All values are rounded up.

Table 12: *Composition of the Ukrainian Economy*

Indicator	2004	2005	2006	2007	2008	2009
Industry, value added (% of GDP)	36	32	36	37	37	29
Employment in industry (% of total employment)	25	24	24	24	...	...
Services, etc., value added (% of GDP)	52	57	55	56	55	62
Employment in services (% of total employment)	56	56	58	59	...	...
Agriculture, value added (% of GDP)	12	10	9	7	8	8
Employment in agriculture (% of total employment)	20	19	18	17	...	...

Source: World Bank (2011)

Note 1. All values are rounded up.

Table 13: *Key Indicators of Economic Development in Moldova*

Indicator	2004	2005	2006	2007	2008	2009
GDP per capita (€)	580	669	758	900	1159	1090
GDP per capita, PPP (constant 2005 international €)	1763	1900	1997	2063	2227	2085
GDP growth (annual %)	7,4	7,5	4,8	3,1	7,8	-6,5
Inflation, consumer prices (annual %)	12,5	12	12,8	12,4	12,8	-0,1
Unemployment, total (% of total labour force)	8,2	7,3	7,4	5,1	4	6,4
Income share held by lowest fifth (%)	7	...	...	7	7	...
Income share held by highest fifth (%)	43	...	...	45	45	...

Source: World Bank (2011), own calculation

Note 1. Data on GDP per capita and GDP per capita, PPP was converted from US\$ to Euro (€) with the historical annual exchange (ask) rates retrieved on May 25, 2011 at <http://www.oanda.com/currency/average>.

Note 2. All values are rounded up.

Table 14: *Composition of the Moldovan Economy*

Indicator	2004	2005	2006	2007	2008	2009
Industry, value added (% of GDP)	17	16	16	15	14	13
Employment in industry (% of total employment)	16	16	18	19	...	...
Services, etc., value added (% of GDP)	62	64	67	73	75	77
Employment in services (% of total employment)	43	43	48	48	...	...
Agriculture, value added (% of GDP)	20	20	17	12	11	10
Employment in agriculture (% of total employment)	41	41	34	33	...	...

Source: World Bank (2011),

Note 1. All values are rounded up.

Table 15: *Overview Economic Freedom in Ukraine*

Indicator	2004	2005	2006	2007	2008	2009
Foreign direct investment, net (BoP, € in million)	1378	6061	4573	6737	6768	3347
Imports of goods and services (% of GDP)	54	51	49	50	47	48
Exports of goods and services (% of GDP)	61	51	46	45	42	48
Trade share with EU (in %)	33,1	29,7	31,3	29	28,2	25,4
Transparency International Corruption Perception Index	2,2	2,6	2,8	2,7	2,5	2,2
Exports of goods and services (€ in million)	36886	60815	76972	86828	115867	107793
Imports of goods and services (€ in million)	28050	35096	42487	52529	58957	39225

Sources: World Bank (2011), State Statistics Committee of Ukraine (2010), Transparency International (2011), www.oanda.com, own calculation

Note 1. Data on foreign direct investment was converted from US\$ to Euro (€) with the historical annual exchange (ask) rates retrieved on May 25, 2011 at <http://www.oanda.com/currency/average>

Note 2. The trade share with the EU result from the share of goods and services trade with the EU divided by the overall foreign trade data from (State Statistics Committee of Ukraine, 2010, p. 6)

Note 3. All values except the TICPI are rounded up.

Table 16: *Overview Economic Freedom in Moldova*

Indicator	2004	2005	2006	2007	2008	2009
Foreign direct investment, net (BoP, € in million)	119	154	192	377	476	87
Imports of goods and services (% of GDP)	82	92	92	97	94	73
Exports of goods and services (% of GDP)	51	51	45	47	41	37
Trade share with EU (%)	51,7	42,7	44,1	40,4	39	47
Transparency International Corruption Perception Index	2,3	2,9	3,2	2,8	2,9	3,3
Imports of goods and services (€ in million)	1715	2204	2497	3125	3873	2853
Exports of goods and services (€ in million)	1061	1230	1229	1527	1690	14312

Sources: World Bank (2011), National Bureau of Statistics of the Republic of Moldova (2010), Transparency International (2011), x-rates.com (2011), own calculation

Note 1. Data on foreign direct investment was converted from US\$ to Euro (€) with the historical annual exchange (ask) rates retrieved on May 25, 2011 at <http://www.oanda.com/currency/average>.

Note 2. All values except the TICPI are rounded up.

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