



Can America Finance Freedom? Assessing U.S. Democracy Promotion via Economic Statecraft

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Recent discourse on U.S. efforts to promote democracy has focused on military activities; especially the strategic and normative perils of democracy promotion at the point of bayonets. This paper explores the United States' use of *economic* statecraft to foster democratization, with particular attention to democracy incentive and assistance strategies. Incentive approaches attempt to promote democracy from the top-down, by leveraging aid and trade privileges to persuade authoritarian leaders to implement political reform. Assistance approaches aim to induce democratization from the inside, through funding and technical assistance to state institutions, and from the bottom-up, by providing support to civil society and elections. This study finds that while top-down incentive approaches can stimulate democratic change, this strategy tends to work only when aid and trade benefits are conditional; that is, when benefits are withheld until recipient states meet rigorous democratic benchmarks. Washington has historically eschewed democratic conditionality, however, and thus can claim very few aid-induced or trade-induced democratization events. Scant evidence exists to demonstrate that inside approaches—that is, institutional aid—possesses significant capacity to induce democracy. It is the bottom-up approach—empowering the masses to compel democratic change—that has registered the greatest number of democracy promotion successes.

Democracy promotion has long represented a hallmark of American foreign policy, and indeed in the twenty-first century the practice has acquired a preeminent status in American grand strategy. Although Bill Clinton was responsible for elevating democracy promotion to doctrinal status, to most observers George W. Bush is the individual most firmly associated with the policy of exporting democracy. Bush acquired this reputation by positioning the wars in Iraq and Afghanistan as centerpieces of his strategy to foster the global expansion of democracy. Consequently, the American public and the international community have come to regard democracy promotion as a bellicist enterprise; that is, regime-change at gunpoint (Carothers 2009). The occupations of Afghanistan and Iraq constitute, for many, the touchstone case studies against which to assess the efficacy of the practice. As a result, democracy promotion has acquired a dubious reputation among the public due to the high human and financial costs of these operations, and their failure to foster the emergence of stable democratic governments (Tures 2007).

The popular conflation of democracy promotion with the use of military force has, indeed, obscured the broader non military democracy promotion activities in

which the United States is engaged; including the use of diplomatic and economic measures to encourage the global growth of democracy. This study analyzes the latter approach; the use of economic statecraft by the United States as a strategy of democracy promotion. Economic statecraft, broadly defined, encompasses all applications of material sanctions and material assistance to alter the behavior of foreign states. A wide assortment of instruments are encompassed under sanctions (i.e., *punitive* economic statecraft) including, *inter alia*, trade embargoes, trade boycotts, tariff increases, product dumping, preclusive purchasing, aid suspensions, asset freezes, expropriations, capitol controls, and currency manipulations.¹ Economic assistance (i.e., *positive* economic statecraft) offers a similarly broad array of tactics, including, *inter alia*, grants, loans, technical assistance, debt relief, investment guarantees, trade preferences, and trade credits.

While sanctions have been levied on several occasions by Washington to defend against democratic backsliding, economic assistance has represented the primary staple of U.S. democracy promotion efforts, and therefore this article focuses on the use and utility of such “positive” economic statecraft measures of facilitating freedom. The United States is certainly not the only actor engaged in democracy promotion via economic statecraft. Several donor states and international organizations (especially the World Bank) remain quite active in leveraging sanctions and assistance to foster democracy, and indeed, the U.S. on occasion works with these other actors in multilateral democracy promotion projects. This analysis focuses, however, exclusively on U.S. unilateral democracy promotion efforts, and therefore, IGO and multilateral democracy promotion activities remain beyond the scope of this examination.

A host of economic incentive and assistance strategies have, indeed, been employed by Washington over the past two decades to promote democracy’s expansion and consolidation. America’s economic strategies of promoting democracy have evolved substantially since the bipolar era, when democracy promotion was viewed through the lens of modernization theory; which advised that the most prudent way to foster democratization was to fund macroeconomic development. Modernization theory posited that traditional economic practices represented the cause of underdevelopment in the world’s poorest states, and, therefore, if these states adopted “modern” development models—including market institutions, functional specialization, and property rights—rapid economic growth would follow (Lerner 1958; Rostow 1960). Walt Rostow, the most prominent architect of modernization theory, suggested that foreign aid would help foster the shift to modernization, and thus induce the wealth gains in recipient states that, the model asserts, are a necessary precondition for democracy.² Modernization theory soon fell out of favor, however, as an economic and political model, as critics, including Henry Kissinger and Samuel Huntington, asserted that, contrary to the theory’s sanguine predictions, many of the states that underwent modernization also soon suffered from economic stagnation and political instability (Kissinger 1961; Huntington 1968). Additionally, support for macroeconomic approaches to democracy promotion eroded as a result of the failure of empirical studies to demonstrate that aid can reliably stimulate economic growth.³ Foreign aid had, therefore, demonstrated poor efficacy with respect to raising income levels in recipient state to a degree (ostensibly) necessary to

¹ For an excellent primer on the tools encompassed under economic statecraft see Baldwin 1985. On currency manipulation see Kirshner 1995.

² Rostow’s work—solo and collaborative—was an especially powerful influence on the early attempts at democratic promotion (see Millikan and Rostow 1957).

³ See, especially, Easterly 2006. The consensus opinion in the literary corpus on foreign aid largely affirms the broader argument made by Easterly that foreign aid fails to significantly alleviate poverty in most recipient states; however, many studies have also found that aid can support development in countries which exhibit good governance (see World Bank 1998 and Burnside and Dollar 2004).

support democratic consolidation (Lipset 1960; Przeworski, Alvarez, Cheibub, and Limongi 2000).

The “democracy-through-economic-growth” approach has not been entirely abandoned in the contemporary era, yet, policy makers have shifted to more direct methods of democracy promotion. Instead of attempting to cultivate the alleged macroeconomic “preconditions” for democracy’s emergence, recent strategies employ economic incentives and democracy assistance in an attempt to hasten political change. Democracy incentives represent a *top-down* approach, as economic aid and trade preferences are leveraged to persuade authoritarian regimes to introduce political liberalization. Democracy assistance attempts to induce democratization from the *inside*, by providing funding for the strengthening of legislatures and courts as a counterweight to executive dominance, and by fostering democratic norms and practices in state agencies. Democracy assistance also incorporates the *bottom-up* strategies of election aid and civil society support; measures which empower the mass population to act as agents of democratization.

The scholarship on democracy promotion has expanded in recent years in tandem with the substantial growth of democracy promotion activities carried out by the global community of democratic states. The emphasis in the literature has been on the design and merits of institutional and civil society aid, while far less attention has been devoted to top-down incentive approaches, or toward a comparative analysis of the various strategies. This study aims to address this caesura by including top-down measures into a comparative analysis of the three broad approaches to democracy promotion employed by the United States over the past two decades. The study will first consider the use of incentive strategies—the practice of leveraging aid and trade benefits to induce democratization *from the top-down*. Democracy assistance measures will subsequently be considered, with an examination of institutional aid (democracy promotion *from the inside*), and second, of election aid and civil society assistance (democracy promotion *from the bottom-up*). The comparative efficacy of the respective strategies will be assessed, and the future prospects of democracy promotion via economic statecraft will be evaluated.

Incentive Strategies: Top-down Approaches to Democracy Promotion

As authoritarian intransigence represents the single largest obstacle to democracy in many countries, perhaps the most direct approach to democracy promotion is a top-down approach; leveraging economic incentives to persuade autocrats to implement political liberalization. However, is positive economic statecraft effective at compelling significant change in the behavior of foreign states? The literature on economic statecraft incentive strategies offers valuable insights. Scholarly attention to economic incentive strategies of foreign policy spans several centuries, with mercantilist and early-modern theorists engaged in discourse on the effective means of using money to sway foreign sovereigns. French diplomat and theorist Francois de Callieres’ influential discourse on economic statecraft, *The Practice of Diplomacy*, published in 1716, represents one prominent example from the early corpus. De Callieres advocated the use of economic inducements as an effective foreign policy strategy, asserting that economic incentives possess the ability to “harmonize the interests of the parties concerned” (Baldwin 1985:75).

The writings of mid-twentieth century scholars, applying modern social science approaches to the study of economic incentives in foreign policy, exhibited greater skepticism about the utility of economic inducements to shape the behavior of states abroad. Even advocates of the strategic use of foreign aid counseled indirect approaches, such as modernization’s macroeconomic method. Klaus

Knorr's (1973) *Power and Wealth* was perhaps the most influential comprehensive study of the use of economic incentives in foreign policy. According to Knorr (1973:150,179), financial inducement strategies possess dubious strategic value, with foreign aid demonstrating "very low... probable effectiveness" as an instrument of statecraft. Knorr identified two variables which acted to inhibit the efficacy of economic statecraft: first, nationalism which enhances a state's will to resist economic pressure; and second, superpower rivalry, which provides target states with alternate sources of economic assistance.

Recent scholarship on economic incentive strategies conveys a more positive assessment of the efficacy of the practice. Haass and O'Sullivan (2000) maintain that economic incentives are often ignored by scholars and overlooked by policymakers. Incentives, according to Haass and O'Sullivan (2000:162-165), are likely to be more effective instruments of American foreign policy in the post-Cold War era, as American primacy enhances Washington's ability to leverage economic assistance. The authors provide the examples of Vietnam and North Korea, where, they asserts, recent U.S. incentive measures have demonstrated to be effective in catalyzing desired policy changes. Miroslav Nincic (2006:325-326) explains incentives' effectiveness, asserting that incentives can act as "trading carrots" and "catalytic carrots." Trading carrots can act to persuade regimes to reverse behavior by offsetting the costs of policy changes (relinquished policy objectives, credibility costs, and lost support from constituencies). Catalytic carrots can produce behavioral change in target states by altering the motivations of regimes, as inducements strengthen pro-internationalist elements, and reduce the power of groups advocating aggressive, hostile foreign policies (Nincic 2006).

The more sanguine perspective on economic incentives is reasonable if one considers how the demise of the bipolar system produced a more benign environment for the effective use of leveraged aid. Recall Knorr's assertion that bipolar rivalry was one of the two major factors responsible for the impotence of foreign aid as a strategic weapon during the Cold War. Indeed, the disappearance of the Soviet Union in 1991 transformed the international system and fundamentally changed the dynamics of economic statecraft. During the Cold War, small states often conducted a shrewd game of triangulation, playing the superpowers against one another in order to maximize the amount of foreign aid they would receive. Small states were thus in control, as they were fully cognizant of their status as a prize in the superpower competition between the United States and the Soviet Union. Thus, the superpowers were deterred from placing stringent conditions on aid for fear that target states would defect and accept the largess offered by the rival. Nasserite Egypt provided a very early lesson in how bipolar competition created an asymmetrical power relationship, with the superpowers actually placed in a subaltern position. The demise of the bipolar system, with the dissolution of the Soviet Union in 1991, inverted the position of sender and target, as targets lost their ability to leverage counterbalancing offers in order to maximize aid and to deter donor demands. Foreign aid and trade preferences were thus likely to become more effective instruments of American economic statecraft.

Although the capacity of economic incentives to influence the behavior of states abroad should not be overstated, the practice registered several major accomplishments in the post-Cold War era in policy areas including counterterrorism, conflict resolution, and nuclear counterproliferation. This section examines the use and impact of economic incentive measures by the United States to promote democracy in the unipolar era. A diverse array of tactical approaches are available to U.S. policymakers, with measures generally falling into two main categories: (1) politically conditioned foreign aid; and (2) politically conditioned trade privileges.

Politically Conditional Foreign Aid

Although democracy promotion has long been an avowed objective of the United States in its bilateral relations, historically, Washington has largely eschewed the practice of explicitly mandating democratic progress as a condition for receiving development aid (ODA), or any other material assistance. Thus, America abstained from the rigid form of conditionality exhibited by the leading international financial institutions, including the IMF and the World Bank.⁴ The emergence of the unipolar era produced an official change in this policy, as the U.S. Agency for International Development (USAID)—the agency responsible for the distribution of the majority of U.S. development assistance—announced in the early 1990s that aid allocations would be subject to democratic conditionality. Recipients would henceforth be expected to demonstrate measurable progress with respect to political rights, civil liberties, and due process of law (Nelson and Eglinton 1996:175).

Political conditionality is an inherently controversial practice, as target states chafe against external attempts to intervene in their domestic political practices, casting such moves as an illegitimate infringement of sovereignty. Beyond the normative objectives which have been articulated, does political conditionality even work as an agent of democratization? The democracy literature suggests that placing democratic conditions on aid is of mixed utility. Peter Uvin (1993:68) emphasizes the limited inducement potential of leveraged ODA, maintaining that foreign aid is a relatively small financial input in comparison to other revenue sources available to governments. Gordon Crawford's (2001) survey of political conditionality attempts found that the measures worked only in a minority of cases. Olav Stokke (1995) and Peter Waller (1995) find that democratic conditionality can produce tangible policy changes, but these successes tend only to occur in poor and strategically less significant countries.

The literature suggests that conditionality is a tool of typically limited persuasive potential, and is applicable in a circumscribed set of cases. Still, even if democratic conditionality yields results only in poor and strategically peripheral states, the size of this set of states suggests that conditionality may hold promise as an instrument of democracy promotion. A majority of the prospective targets of democratically conditioned aid are indeed aid-reliant and reside in regions not perceived by Washington to be strategic tipping points. Thus, conditioned aid may represent an effective stimulus for political liberalization in many democratically underdeveloped regions.

While, in theory, aid conditionality appears to represent a robust incentive for democratic progress, it is difficult to assess the efficacy of the practice, as Washington has largely failed to implement conditionality in any consistent or rigorous manner. Despite official declarations from U.S. aid agencies and senior policy officials in the early 1990s that aid levels would be contingent on democratic progress, Washington has continued to distribute aid following traditional standard operating procedures, maintaining aid levels relatively consistent from year to year. Three primary reasons for the weak and inconsistent application of conditionality have been identified, including: the inherent difficulty in measuring democratic progress, the presence of legislative earmarks and other restriction on aid agencies' aid allocation discretion, and the presence of competing security and economic factors which often trump democracy and human rights concerns (Nelson and Eglinton 1996:175–176).

⁴ Most of the studies on IMF and World Bank conditionality—a policy which mandates the implementation of economic reforms as a precondition for aid—have failed to find the practice effective with respect to inducing required economic policies (see Nelson 1990; Kahler 1992; Mosley, Harrigan, and Toye 1995; and Leandro, Schafer, and Frontini 1999). Recent World Bank reports, though, have been somewhat more sanguine (see World Bank 2005).

For conditionality to operate in earnest, aid agencies would produce annual assessments of political conditions in potential aid recipients, and then allocate aid on the basis of these democracy measures, with more aid flowing to reformers and less aid released to states in which retrograde democratic progress was exhibited. If conditionality operated in this manner, it would represent an actual democratic incentive. Instead of this variable quotient, U.S. aid under the present system operates as a dichotomous variable; that is, aid is usually reserved annually at fixed levels unless considerable retrograde progress is noted, and then all non humanitarian aid is withdrawn. Several episodes of the punitive model have occurred, including the cases of Malawi (1992), Peru (1992), and Guatemala (1993), and indeed, these measures did contribute to the emergence or reinstatement of democracy. Still, this form of aid conditionality can be coded more properly as an economic sanctions program; a subject which resides outside the limits of this study. Before 2003, few, if any, episodes existed where the United States adjusted aid based on democracy scores, or offered new sources of aid with the proviso that recipients prove their democratic *bona fides* prior to the release of funds.

Millennium Challenge Account

A potentially transformational shift in America's use of politically conditioned aid was signaled on March 14, 2003, when George W. Bush announced, in a speech to the Inter-American Development Bank, his vision for the Millennium Challenge Account (MCA). This new fund would reward poor countries that demonstrate a genuine commitment to democracy and good governance with large development assistance grants. Under the plan, annual funding for the MCA would reach \$5 billion within three years (by 2006), increasing by nearly 50% the total amount of official development assistance provided by the United States (Radelet 2003:12). The program was innovative in a number of ways, including: the extraordinary size projected for MCA grants, the establishment of a quasi-independent public corporation (the Millennium Challenge Corporation [MCC]) to administer the fund, and the lead role of recipient states in designing development priorities and determining how aid would be spent. The proximate objective of the program was not, in fact, democratization, as aid did not come in the form of democracy assistance, such as institutional aid or civil society funding. Aid packages were designed instead to foster economic development following recipients' self-identified needs. It is clear, however, that although the MCC does not make the awarding of grants contingent on the attainment of full democracy, one of the ultimate strategic objectives of the initiative is to foster democracy, as several of the indicators established by the MCA to determine aid recipients are explicitly political. The "selection indicators" include: civil liberties, political rights, voice and accountability, government effectiveness, rule of law, control of corruption, immunization rates, public expenditure on health, girls primary education completion rate, business start up, inflation, trade policy, regulatory quality, fiscal policy, natural resource management, and land rights and access (U.S. Millennium Challenge Corporation 2008a). Bush (2002) signaled the democratization agenda of the MCA in his IADB speech:

In return for this additional commitment, we expect nations to adopt the reforms and policies that make development effective and lasting. The world's help must encourage developing countries to make the right choices for their own people, and these choices are plain. Good government is an essential condition of development. So the Millennium Challenge Account will reward nations that root out corruption, respect human rights, and adhere to the rule of law.

As designed, the account has significant potential as a democracy promotion instrument. The democratic conditionality inherent in MCA is more explicit than in traditional foreign aid agreements, and the programs' independence from the general foreign aid pool increases (although does not eliminate) the prospects that competing strategic, economic, and political variables will not dilute its democracy-inducing focus. The MCA has the potential to foster democracy in two main ways: deterrence and enticement. Democracy is supported in eligible countries through the deterrent capacity of the MCA, as annual disbursements during the contract period are predicated on recipients maintaining adequate indicator scores. The prospect of jeopardizing hundreds of millions of dollars in expected development aid from MCC could help to ossify democratic progress in recipient states by deterring democratic backsliding. The enticement effect operates on countries that are deemed ineligible for aid due to significant democratic deficits. The prospect of securing an aid package valued in the hundreds of millions of dollars may persuade regimes to pass and implement democratic reforms as a means of elevating their indicator scores, and thus obtaining an aid contract from MCC.

Although the potential for the MCA to act as an effective agent of democratization appears significant, it is difficult to assess its efficacy at this early juncture in the programs' existence. The MCA has received praise for the integrity of its selection process, as it appears to have adhered to its model of using objective publicly-available indicators to determine which countries receive aid, and as security objectives appear to have played little role in the allocation of aid (Buss and Gardner 2008:351). Recipient participation, or "ownership", in development programs is another feature that has received acclaim (Radelet 2003:77; Fox and Rieffel 2005:24–25; Buss and Gardner 2008:349).

The MCA has not, however, escaped criticism. Although the sums of money pledged by MCC have been large (the average size of each of the last five grants was \$510 million), and has placed the U.S. among the largest ODA donors for nearly all recipient countries, MCC has been widely criticized for a perceived lethargy in aid disbursement (U. S. GAO 2008:8; U.S. Congress, 2007:26–28). An audit conducted by the U.S. GAO (2008:6) revealed that the MCA contract development process lasts, on average, 32 months. Eligible countries, therefore, must wait nearly three years to receive MCA aid. Though billions of dollars have been pledged, just a trickle of aid has been actually distributed; \$156 million as of Dec 2007, just 25% of the level of distributions planned by the MCC (U. S. GAO 2008:13).

As aid is just now being distributed, it remains too soon to determine the impact of MCA on economic development and poverty reduction in recipient states. It may also be too premature to hazard, with any confidence, an assessment of the democracy inducing capacity of the Millennium Challenge Account. The MCA has not stimulated a fifth wave of democratization in the developing world, and thus the program has certainly not represented a democratization talisman. Still, some evidence does exist to support the reform catalyzing capacity of the MCA, or what has been dubbed "The MCC Effect" (Radelet 2003:69). The "effect" is seen most commonly is reference to economic policy reform, as 24 countries cited the prospect of receiving funds from the MCA as the primary reason for implementing reforms (World Bank 2007). Some anecdotal evidence also points to the MCA stimulating explicitly *democratic* political reforms. After being suspended from a MCA program in 2005, Yemen introduced several reforms to raise its indicators scores, and in Lesotho, U.S. House and Senate Resolutions recognized the MCA for its catalytic role in the introduction of gender equity reforms (U. S. Congress 2007:29).

Other evidence of the MCC effect exists also in the form of statements made by foreign leaders and political actors citing MCA as an incentive for

reform. Armenian presidential candidate Vartan Oksanian spoke of the costs of election fraud in terms of revoked MCA funding, stating: “We are now in a situation where any step away from democratization and a repeat of electoral fraud would have an economic cost. And I can name that cost: 235 million dollars” (Johnson and Zajonc 2006:8). Bangladesh’s finance minister, Saifur Rahman, asserted that one damaging consequence of the country’s high corruption rate was Bangladesh’s failure to meet the eligibility standards for the MCA (Johnson and Zajonc 2006:8).

In the most systematic study of the relationship between the Millennium Challenge Account and democratization, researchers Doug Johnson and Zajonc (2006) measured the democracy incentive effect of the MCA by comparing the performance of candidate countries (those qualifying by per capita income, and not excluded due to U.S. statutes) in the pre and post-MCA period. The authors find that candidate countries were 25% more likely to pass reform measures—including in the areas of civil liberties and political rights—after the creation of the MCA than in the pre-MCA period (2006:17). Candidate countries were also twice as likely as non candidate countries to *implement* reforms (Johnson and Zajonc 2006:15). Johnson and Zajonc’s report, though it provides support for the democratization impact of the MCA, cannot be regarded as the definitive conclusion on the democracy-inducing capabilities of the MCA, as the study possesses significant methodological limitations. The 2-year pre-event and post-event periods examined in the study may not present an adequate length of time to assess the causal effect of the MCA. Furthermore, the study does not quantify the scope of reform in each area; whether it is substantial or modest.

A definitive appraisal of the democracy inducing capabilities of the Millennium Challenge Account remains premature. Perhaps ten years from inception (2013), this strategic objective of the MCA can be rigorously evaluated. The early evidence, however, does suggest that the incentive structure created by the MCC has captured the attention of candidate countries, and has begun to stimulate positive political reform. The program does exhibit serious deficiencies, though, including sluggish aid distribution, inadequate staffing levels at MCC, and lower-levels of funding than initially expected. The first two are easier to remedy, and MCC will likely rectify the start-up inefficiencies that plague nearly all nascent institutions, and begin to disburse aid with greater alacrity. The latter weakness—funding levels—is the most acute concern, and perhaps the least likely to be resolved. Funding for the program has fallen far short of the initial \$5 billion goal, as the MCA received funding of \$1 billion in 2004, \$1.5 billion in ‘05; \$1.75 in ‘06 (at which point it should have reached \$5 billion), and \$1.75 billion in ‘07. For FY 2008, appropriations for MCA were cut to \$1.54 billion (Center for Global Development 2007; U.S. Congress 2007:32; U.S. Millennium Challenge Corporation 2008b). The MCA was designed to have a transformative impact on recipient countries, yet this will prove difficult to accomplish when the size of the fund may not be adequate to ensure that the MCA is one of the largest aid donors for each recipient.⁵ Recent MCA policy changes will require that aid be stretched even farther now, as the pool of candidate countries has been expanded to include lower-middle income countries. The Millennium Challenge Account may still produce results at this lower level of funding. If funding levels remain low relative to the initial commitments, however, the prudent strategy would be to concentrate funds on fewer recipients to maximize the enticement and deterrence impact of aid.

⁵ On the transformative intent of the MCA see: Buss and Gardner 2008:340–341.

Politically Conditioned Trade Preferences

Economic incentive strategies are conventionally portrayed as the use of foreign aid to influence states abroad. Yet, aid is not the only incentive that states can wield, nor is it necessarily the most enticing instrument of economic statecraft. Trade can represent a powerful carrot for policy change, especially when preferential terms of trade are offered by a state or community of states that possess a large import market. The European Union provides a compelling example of the democracy inducement capability of politically conditioned preferential trade agreements (PTAs). Europe's requirement that candidate countries exhibit robust democratic credentials before being admitted to the EU, has played a significant causal role in the promotion of democracy in a large set of states including: Spain, Portugal, Greece, Poland, Hungary, the Czech Republic, Slovakia, Estonia, Lithuania, Romania, and Bulgaria. Evidence of the causal role of EU democratic conditionality has been catalogued extensively in the democratization literature.⁶ Evidence of the democracy inducing role of the prospect of EU membership can also be noted in the frequent statements by political leaders in prospective states explicitly citing their aspirations for EU membership as the stimulus for recently-implemented democratic reforms, or using the prospect of membership in the EU to promote and advance reform measures.

The United States possesses an economy nearly the size of the entire European Union, and is the world's largest import market. It thus stands to reason that democratically conditioned PTAs represent a potentially robust democracy promotion instrument for America. Has Washington, in fact, leveraged preferential access to its market to promote democracy? The evidence suggests that democratic conditionality has been, at best, a marginal feature of U.S. trade policy. Beginning in 2001, the United States began to regularly include rights requirements into the free trade agreements it signed with partner states, including with Jordan (2001), Chile (2004), Singapore (2004), Australia (2005), Bahrain (2006), Morocco (2006), Oman (2006), Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua (DR-CAFTA 2006), and Peru (2007) (Burton 2008:10). Embedding rights provisions in trade agreements became a codified requirement mandated by Congress in the Trade Act of 2002.

Although recent PTAs include language on rights, it would be erroneous to read this development as the authentic use of trade preferences to promote democracy. Rights codicils in these trade agreements refer exclusively to labor conditions and collective bargaining rights, and do not require progress on broader political rights or civil liberties (Trade Promotion Act 2002; Hafner-Burton 2008:10,14,20). Indeed, the primary stimulus for the inclusion of rights provisions appears to be advocacy pressure from American labor unions. Organized labor cogently expressed its concerns about the ability of American workers to compete for jobs against countries where labor costs are markedly less; in significant measure due to weak labor rights protections (U.S. Congress, Congressional Research Service 2002:10).

Though the motivation for the presence of labor rights codicils in PTAs appear to originate more from concerns over job protection than democracy promotion, labor rights are an important element of modern democracy, and if worker rights were promoted by these accords, it would serve as evidence of the successful use of trade by the United States to promote democracy (however incrementally). Labor rights codicils, however, appear to be incapable of even supporting labor rights, as most U.S. agreements stipulate only that countries regularly apply their own laws; which may fall short of International Labor

⁶ On the impact of EU membership conditionality on democratization in Europe, see: Batt 1997; Bútorá and Bútorová 1999; Ethier 2003; Huntington 1991; Powell 1996; Rupnik 2000; Tsingos 1996; and Whitehead 1996.

Organization (ILO) standards. The rights clauses also lack sufficient monitoring and enforcement mechanisms in order to track labor rights conditions and levy penalties for poor compliance (Human Rights Watch 2004; Washington Post 2007).

Meager results from labor rights conditionality notwithstanding, evidence exists to support the notion that trade can be used to promote democracy. The failure of democratic progress in PTA partner states is a result not of the inherent weakness of trade as a democracy promotion instrument, but rather of the deliberate choice of Washington to prioritize trade liberalism over democratization. Successive U.S. administrations have eschewed the practice of democratic conditionality in trade accords. At best, U.S. application of trade conditionality consists of encouraging partner enforcement of labor rights, with penalty provisions only a hypothetical deterrent, as no partner country has ever had trade privileges suspended or even a fine assessed, despite evidence of serious labor rights abuses (Lalji 2006; Washington Post 2007; U.S. Congress, Congressional Research Service 2008).

Europe also applies political conditionality in its PTAs with non-European countries, and the EU appears to have achieved better results, as its conditionality references human rights more broadly (Hafner-Burton 2005). The results are not nearly as impressive as those exhibited by the EU accession process, where proof of robust democratic governance is required before benefits are bestowed. Nevertheless, the EU has leveraged trade to promote democracy more successfully than the United States, due to its more genuine use of democratic conditionality in its extra-regional PTAs, including its greater willingness to enforce rights codicils. Positive results have been achieved in Togo, Fiji, Comoros, Niger, and Pakistan; cases where the EU's decision to suspend PTA privileges appears to have played a role in the progressive reforms that followed (Hafner-Burton 2005:610–611).

Perhaps the only clear case in which a U.S. preferential trade agreement stimulated significant democratic progress was in Mexico, where the negotiations over the North American Free Trade Agreement (NAFTA) acted as a catalyst in Mexico's transition to democracy. The initial rationale for the free trade market linking the US, Canada, and Mexico was almost entirely economic. Democratic themes began to play a larger role beginning in the 1990s, as negotiations over the NAFTA accord exposed the ruling PRI regime to vice-like pressures to reform, as both U.S. political leaders and Mexican domestic activists leveraged NAFTA to extract significant political reforms from the ruling PRI regime (Keck and Sikkink 1998:110–120). It was likely not a mere coincidence that Mexico's President Carlos Salinas, a stalwart advocate of NAFTA, consented to the creation of the National Commission on Human Rights in 1990, just 4 days before a trip to meet with U.S. President George H.W. Bush (Keck and Sikkink 1998:113–115). According to Denise Dresser, the commission has stimulated significant human rights improvements in Mexico; improvements that would likely not have been realized "in the absence of international pressure" (Dresser 1996:332).

Democratic conditionality intensified in 1993, when the U.S. Congress initiated deliberations over ratification of the NAFTA treaty. The stark democratic deficit in Mexico concerned many members of Congress and threatened to derail the treaty. In order to rescue the agreement, Salinas lobbied Washington lawmakers, and pledged that democratization in Mexico would follow in the wake of the trade accord (DePalma 1993; Reding 1994:194; Leiken 2001). Numerous political reforms were quickly implemented by Salinas, and these measures significantly facilitated the democratic transition that occurred in Mexico in 2000.

The case study evidence (from the U.S. and E.U. experiences) suggests, that if the United States wishes to use trade most effectively as a democracy promotion instrument, democratic conditionality ought to be established as an *ex ante* process, requiring partner states to prove their democratic credentials before

bilateral free trade agreements are signed. It is this approach that has led to sweeping reforms in EU candidate countries, and played an important role in Mexico's democratic revolution. With respect to the latter event, NAFTA did not, in fact, include an explicit democracy codicil; rather, *ex ante* democratic conditionality was implicitly imposed by members of Congress at the ratification stage. The democratic progress required of Mexico in the NAFTA process was indeed far less stringent than the European Union's *ex ante* requirements on candidate countries, and consequently, less comprehensive political reform was realized in Mexico.⁷ Still, political reform was stimulated in Mexico through preferential trade in a way not witnessed in America's other free trade partnerships.

The operational difference between Mexico and other PTA partners is that U.S. policymakers believed that democratic conditions in Mexico directly impacted America's national interests, as NAFTA would require and produce a level of integration with Mexico far greater than with other free trade partners. Mexico is, thus, a *sui generis* case. In general, there appears to be a lack of attention by U.S. policymakers to the political conditions extant in partner countries, as several free trade pacts have been enacted with countries with poor human rights records, including the rigidly authoritarian states of Jordan, Singapore, Bahrain, Morocco, and Oman (Youngs 2004:49).

The example of NAFTA (and the EU accession process) demonstrates that democratically conditioned trade can be a powerful lever for democratic reform when policymakers view democratic progress in partner states to be of great importance, and respond to this concern by embedding preferential trade agreements with *ex ante* democratic requirements. The proposed Free Trade Area of the Americas (FTAA) promised to increase Washington's practice of democratic trade conditionality, as delegations attending the 2001 FTAA summit in Quebec City agreed that a democracy codicil would be embedded into the group's charter. The fate of the FTAA appears to be in serious jeopardy, however, as talks are seemingly in permanent hiatus. America's recent bilateral free trade agreements, moreover, suggest that democracy promotion remains an afterthought of American trade policy.

Concluding Thoughts on Democracy Incentive Approaches

Aid and trade have long represented potential levers for political reform abroad, but they have remained idle implements in America's democracy promotion toolkit. Some change has been witnessed in recent years, especially with respect to foreign aid, as aid conditionality has moved from the rhetorical to the genuine with the advent of the Millennium Challenge Account. Aid holds promise as an effective democratization tool, but only toward a circumscribed set of states—relatively poor and weak countries—and only when aid is conditioned on rigorous *ex ante* democratic standards. While aid is an inappropriate tool to induce change in large strategic states, trade preferences may offer useful leverage; especially considering the growing reliance of large states on export-driven growth. There are several challenges, however, to the use of trade as a democracy promotion instrument. The principal impediments include the growing popular resistance to preferential trade agreements, and the traditional reluctance of American policy officials to embed political conditions into trade agreements. An additional complication is presented by the zero-sum quality of trade preferences, in which each successive trade agreement diminishes the value of preferential access to the American market for both existing and future partners.

⁷ Freedom House's 2008 *Freedom in the World* report reveals a mean political rights score for recent EU members of between 1 and 2 in political rights and civil liberties, while Mexico scored a 2 for political rights and a 3 for civil liberties. See Freedom House 2008.

The drawbacks of the trade instrument, notwithstanding, preferential access to the U.S. market remains a powerful enticement for poor and rich, weak and strong states alike, and thus trade holds significant potential as a democracy promotion instrument. The same conditionality caveats apply, however, to trade as they do with aid. Trade is likely to induce reform only when a rigorous *ex ante* conditionality process is applied; with preferential terms of trade granted only after candidate states meet strict democracy standards.

Democracy Assistance

Top-down democracy incentive strategies have not, in fact, been a staple of America's democracy promotion efforts. Instead of attempting to coax democratic policy reforms out of state elites, the dominant strategy has been to foster democracy from the *inside* and from the *bottom-up*. Inside approaches include providing funding and technical assistance to the traditionally more democratic institutions of the state (e.g., legislatures, courts), while bottom-up methods attempt to empower the mass population by funding elections and providing support to civil society (e.g., pro-democracy NGOs and independent media).

The rationale for these measures, collectively referred to as *democracy assistance*, derives from the consensus findings of the democratization literature; which postulates that democracy is mostly likely to emerge and consolidate when certain institutional and social elements are extant.⁸ Although democracy scholars differ slightly with respect to the set of elements and the emphasis therein, a consensus has formed on the essential political rights and civil liberties which must be present in order for democracy to be considered as consolidated. These elements include: free and fair elections; independent legislative and judicial institutions; power in the control of elected civilian officials; freedom of speech, assembly, media, religion, and personal lifestyle; due process of law; low levels of corruption; and protection of minority communities. The presence of a robust *civil society* represents an additional element emphasized in the democracy literature as essential for democratic success and survival. Therefore, authentic democracy is likely to emerge and to consolidate in states that conduct free, fair, and regular elections, where power is divided and balanced, where civil liberties are guaranteed *de jure* and *de facto*, and where civil society has been permitted to develop.

The democracy assistance programs administered by the United States aim to foster the requisite elements of democracy in recipient countries. The specific activities encompassed by democracy assistance include financing and technical assistance for: (1) conducting efficient and scrupulous elections; (2) strengthening the capabilities of legislatures; (3) professionalizing judicial agencies; (4) law enforcement investigative and human rights training; and (5) strengthening and professionalizing political parties, political civic organizations, independent media, labor organizations, and the private economic sector. The United States spends several hundred million dollars each year on democracy assistance programs, the vast majority of which is channeled through the United States Agency for International Development (USAID).⁹ A host of other agencies are

⁸ The following works are among the most influential in the corpus on the essential conditions or prerequisites of democracy: Carothers 1999; Dahl 1971; Diamond 1999, 2008; Diamond, Linz, and Lipset 1990; Huntington 1991; Inglehart 1990; Lijphart 1999; Lipset 1959; Moore 1966; O'Donnell, Schmitter, and Whitehead 1986; Przeworski 1991; Putnam 1993; and Tilly 2007. These works, of course, build upon the classic democracy tomes from the early-modern era including those of: Locke, Montesquieu, Mill, Jefferson, Publius (Hamilton, Madison, and Jay), and Tocqueville.

⁹ The official amount of U.S. funding for democracy assistance is difficult to determine as it is not noted as a single line-item, but is often mixed with other development expenditures. According to Thomas Carothers 1999:55; total U.S. spending on democracy assistance in 1999 was \$719 million. Forsythe and Rieffer (2000:997-998) argue that much of what is listed as democracy assistance is aid to environmental and population control organizations, and maintain that USAID spent only \$137 million on direct democracy assistance in 1999.

also involved in democracy assistance activities including, the State Department, the United States Information Agency (USIA), the Defense Department, and the Justice Department.¹⁰ Democracy assistance efforts are likewise aided by government-funded semi-autonomous agencies including, the National Endowment for Democracy (NED), the International Republican Institute (IRI), the National Democratic Institute (NDI), the Asia Foundation, and the Eurasia Foundation.

Democracy assistance attempts to induce political change in ways that can be presented as non coercive, as these programs are ostensibly designed to strengthen the institutions of the state. As democratic political systems have become a global norm, such that even the most repressive regimes often conduct elections (though fraudulent) and possess representative legislative chambers (though devoid of power), democracy assistance programs cannot easily be rejected by non democratic regimes. Still, authoritarian and semi-authoritarian regimes naturally perceive these programs as threatening, and often criticize democracy assistance activities as an illegitimate infringement of sovereignty. The growing movement to restrict democracy aid will be explored in a later section. Nevertheless, despite certain episodes of open defiance, even reluctant recipients of democracy assistance typically feel compelled to accept democracy aid in order to avoid the perception—from both domestic and international audiences—that the government lacks a commitment to democracy.

Institutional Aid—Democracy Promotion From Inside

Conventionally, democracy aid tends to be conflated with election assistance and civic society aid. However, though less visible, institutional aid represents the largest component of U.S. democracy assistance (Carothers 1999:50). The intention behind institutional aid includes cultivating capable, professional and independent legislatures and judiciaries in order to produce the requisite check and balance on executive power. These programs also aim to reform corrupt and arbitrary judicial systems and replace them with systems centered on the rule of law and due process legal protections.

The consensus opinion from most analysts of institutional aid, however, holds that it has not been very effective at redressing the subaltern position of legislatures and judiciaries vis-à-vis executives. It has, therefore, been largely incapable of promoting the institutional balance of power requisite in a modern democracy.¹¹ Legislative aid typically fails to result in significant progress because it fails to break the embedded patronage system whereby the fortunes of legislators (political and material) are controlled by the executive. Institutional aid also cannot help legislatures to transcend executive privilege, the widespread practice whereby executives enjoy proprietary domain over whole spheres of public policy; where decisions can be made without any parliamentary check (Gyimah-Boadi 1998:27).

Judicial assistance has likewise been unable to change the fundamental power relations between the executive and judicial branches, or the structures and incentives for corruption in law enforcement agencies. The judicial branch lacks the requisite political independence needed for judicial integrity, and abysmally

¹⁰ The Pentagon's involvement in democracy assistance may expand with the creation of AFRICOM, a new unified regional command for the U.S. military. When he announced the creation of AFRICOM on February 6, 2008, George W. Bush emphasized the non kinetic objectives of the command, including humanitarian aid and democracy assistance (The White House, Office of the Press Secretary 2007; Pham 2008). Some AFRICOM critics and observers predict, however, that the new command signals a return to a militarization of U.S.-African relations, which will result not in an increase in democracy, but rather, increased support for security forces and a corresponding decline in democracy and human rights (BBC News 2007; Cobb 2007; Glover and Lee 2007).

¹¹ On the weak effects of state institutional assistance, see: Carothers 1999:157–206; Finkel, Pérez-Liñán, Seligson, and Tate 2008; and Gyimah-Boadi 1998.

low pay for judicial staff and police officers continues to create incentives for corruption (Carothers 1999:170–177; McEldowney 2000:330). A meta-survey of USAID democracy assistance programs conducted by scholars from the University of Pittsburgh and Vanderbilt University (and commissioned by USAID) found that judicial aid (rule of law assistance) actually correlated with a decline in human rights (Finkel et al. 2008:53–57, 66). Perhaps out of all areas, institutional aid has demonstrated to be the weakest democracy promotion instrument.

Election Assistance and Civil Society Aid: Bottom-Up Democracy Promotion

Election Assistance

Financial and technical assistance for the administration and monitoring of foreign elections represents one of the highest profile democracy promotion activities of the United States.¹² Has U.S. support for elections, however, resulted in freer and fairer elections abroad? The evidence demonstrates rather convincingly that U.S. election aid has been a key factor in the enhanced administration and authenticity of elections in transitional democracies. The list of cases where American aid helped to underwrite authentic elections is lengthy and includes, *inter alia*: Mexico, Nicaragua, El Salvador, Peru, Chile, Bosnia, Serbia, Kosovo, Albania, Slovakia, Ghana, Liberia, Ethiopia, Mozambique, Angola, Indonesia, Cambodia, and East Timor. The provision of technical assistance and monitoring aid by U.S. agencies, or organizations supported by the United States, helped these states to conduct successful and relatively honest elections. According to Thomas Carothers (1999:429), the quality of elections in transitional democracies has improved markedly, in part due to U.S. assistance, arguing “In Latin America and Eastern Europe in particular, the quality of the average election has dramatically improved in the past 10 years, to the point where reasonable free and fair elections are common.”

In Mexico, financial assistance disbursed to state election institutions and to election monitoring NGOs played a significant role in improving the authenticity of elections. American aid went to groups like Civic Alliance which conducted voter education campaigns, provided training and pay for election observers, and performed parallel vote tabulations (PVTs) at polling locations as a check on the accuracy of government announced results (Dresser 1996:330). In Central America, election assistance has also made a tangible contribution to democracy in most cases. In El Salvador, U.S. assistance underwrote the Supreme Electoral Tribunal, and helped fund a spirited voter registration effort which succeeded in encouraging 80% of eligible voters to register for voting cards (Fagan 1996:228–229). Nicaragua and El Salvador both received generous U.S. election assistance and have continued to make substantial progress in the conduct of honest elections (Kumar 2000:202).

In Africa, election aid has played a critical role in moving states away from authoritarianism and, in some cases, towards genuine democracy. Aid has gone to the administration of elections, to election-day monitoring activities, and to civic organizations which advocate for electoral reform and which monitor the entire election and campaign process. Election aid was a factor in improving election integrity in Namibia, South Africa, Ghana, Nigeria, Malawi, and Mozambique, and in each of these cases democracy has progressed after the holding of elections.

When attempting to assess the effectiveness of election aid in supporting free and fair elections, it is important to consider the influence of selection effects. It may be that election aid is deployed by Washington only in cases where it is highly likely to work; that is, in cases where there is a consensus belief that

¹² Election assistance comprises 25% of U.S. democracy assistance expenditures (Shattuck and Atwood 1998).

elections are likely to meet international standards for legitimacy as long as ample external assistance is provided. While selection effects may explain some of the apparent success of election aid, an examination of the set of cases in which election aid has been imparted suggests that selection bias is not a compelling explanation for why aid correlates with election success. Instead of election aid going principally to states with significant democratic legacies—where elections might be expected to occur without substantial irregularities—aid has gone instead disproportionately to states with little or no experience with democracy, and/or with histories of deeply flawed elections. Election aid, therefore, appears to foster authentic elections despite its use in some of the most challenging environments.

It has become an axiom that elections do not equal democracy. Indeed, election assistance must be viewed as only one element in the overall program of democracy promotion within a particular state. Still, although elections are not a sufficient factor in the realization of democracy, they are most assuredly a necessary and indispensable factor. Election assistance should remain a consistent and amply funded program if Washington wishes to see the consolidation of democracy in recipient countries. For inchoate democracies, election aid should not be viewed as a singular episode—with the U.S. underwriting founding elections, and then immediately transferring responsibility for succeeding elections to the host governments. Financial and technical assistance to elections should continue until the state can reasonably be expected to independently conduct elections that meet international standards for competence and fairness.

Civil Society Aid

Aid to civil society represents a quintessential bottom-up approach to democracy promotion. The objective herein is to support non governmental actors such as democracy activists, civic NGOs, political parties, independent media, labor organizations, and the private economic sector to act as a counterweight against the overweening power of the state. This assistance constitutes recognition of the primary role that domestic actors play in determining the political direction of the state. If Washington cannot effectively employ incentives to persuade state leaders to implement democratic reforms, aid to civil society can increase the pressure for democratic reform from below.

The United States is the world's largest civil society donor, providing some 85% of global civil society assistance (Hearn and Robinson 2000:246). Has this aid been able to empower civil society actors in such a way that they have been able to secure meaningful democratic reforms? The empirical evidence suggests that civil society aid has indeed yielded significant returns on investment. Civil society aid from Washington has played a catalytic role in democratic emergence in several countries, including, *inter alia*, Chile, Mexico, Malawi, Ghana, Serbia, Slovakia, Ukraine, Georgia, and Kyrgyzstan. In a larger set of states, civil society aid has helped to consolidate democratic progress.¹³ The following survey of civil society assistance programs in Eastern Europe and the former Soviet republics serves to illustrate the ways in which external aid can be leveraged by civil society to foster political change.

Civil Society Assistance in Eastern Europe and the Former Soviet Republics

The collapse of communism in the Soviet Union and Eastern Europe presented the United States with a unique opportunity to rapidly advance its democracy

¹³ See Dresser 1996; Hearn and Robinson 2000; Posner 1995; Gyimah-Boadi 1998; Aguayo and Wigodzyk 2000; Frohmann 1996; Carothers 1999; and Huntington 1991.

promotion agenda. Washington devoted millions of dollars in democracy assistance to support the emergence of a vibrant civil society in Eastern Europe and the former republics of the Soviet Union. Many of the states in the region have made remarkable democratic progress over the past several years, and civil society aid has played a supportive role in these political transformations.¹⁴

In Romania, U.S. funds helped to foster civic NGOs and independent media outlets. Political reform in Romania owes some debt to the work of U.S. supported NGOs which have successfully advocated for enhanced civil rights protections and greater governmental transparency and accountability. Civic NGOs have also fostered greater public interest and involvement in local and national politics (Carothers 1999:326–327). U.S. aid to independent media was also effective in instilling critical professional and business skills which, according to Thomas Carothers (1999:327), energized independent media and permitted it to act as “an important bulwark helping keep Romanian politics pluralistic during the long rule by Iliescu.”

Slovakia represents another case where economic assistance to opposition groups, especially pro-democracy NGOs, made a substantial contribution to democratization. In preparation for the 1998 elections, NGOs launched a massive effort—“Civic Campaign (OK) ‘98”—to increase political awareness, to highlight the shortcomings of the ruling Meciar government’s policies, and to increase voter turnout (Bútorá and Bútorová 1999:88). The inspired NGO effort, which received significant U.S. support, elevated voter turnout and was credited in large measure for the success of the opposition coalition’s defeat of the Meciar’s HZDS party.¹⁵ According to Martin Bútorá and Zora Bútorová (1999:89), noted analysts of Slovakia’s political transition, “The success of the democratic opposition in Slovakia is thus a remarkable argument for long-term assistance aimed at fostering the growth of civil society, the rule of law, and democratic culture.”

In Serbia, perhaps more so than in any other case, the robust effects of civil society aid were manifest. After compelling Serbia to remove its troops from Kosovo in 1999, the United States initiated a strategy to oust Slobodan Milosevic’s regime through massive financial assistance to the democratic opposition in Serbia. Washington provided \$100 million in funds to the opposition, which enabled the various advocacy NGOs to launch a vigorous and sophisticated campaign to force Milosevic out of office. The support paid for critical organizational expenses; from the high-tech—e.g., computers, satellite telephones—to the mundane—e.g., office space, bumper stickers, t-shirts, and buttons (Sanger 2000; Ford 2003). The U.S. also paid for the training of NGO leaders in advanced political campaign strategies (De Krnjevic-Miskovic 2001; Ford 2003). Independent media sprang up in Serbia as well, and relied upon external financial support to maintain operations. American aid to the student democracy movement Otpor, proved decisive in allowing that group to organize voter information campaigns. Otpor was credited with substantially increasing voter turnout; an element which proved decisive in the election defeat of Milosevic (De Krnjevic-Miskovic 2001:103; Ford 2003). Milja Jovanic, a founding member of Otpor, acknowledged the contribution of U.S. funds, maintaining: “Eighty-five percent of our funding came through the United States” (Ford 2003). Financing was provided by USAID, and other official democracy promotion agencies such as the NED, IRI, and NDI (Ford 2003). Media leader Veran Matic, underscored

¹⁴ Democracy assistance to Eastern Europe encompassed a unique program, the establishment of American Enterprise Funds. These investment capital funds provided seed money to support the emergence of a robust private economic sector, with the intention of shifting these societies away from what many democracy scholars consider a perilous monopolization of economic power in the hands of the state. On the importance of the economic component of civil society in Eastern Europe, see Diamond 1995 and Birkelund 2001.

¹⁵ On U.S. and Western support for Slovakia’s NGO community, see: Bútorá and Bútorová 1999:88; Rupnik 1999:60, 2000:69.

the direct contribution of U.S. aid in the overthrow of Milosevic asserting “We could not have done it without outside aid” (Ford 2003).

Beginning in 2003, a series of “color revolutions”—modeled after Serbia’s democratic uprising—produced democratic openings in several former Soviet republics. Georgia’s “Rose Revolution” in 2003, Ukraine’s “Orange Revolution” in 2004, and Kyrgyzstan’s “Tulip Revolution” in 2005, witnessed mass-based, non violent movements topple autocratic regimes. Russian President Vladimir Putin, nonplussed about the collapse of pro-Kremlin regimes, characterized these events as Washington-orchestrated coup d’états. Although Putin vastly overstated the role of the United States in these people-power revolutions, and indeed the lion’s share of credit belongs to civic activists within these countries, aid from the United States helped significantly to succor the activities and events staged by pro-democracy movements.

In Ukraine, civic groups aiming to oust the authoritarian Kuchma regime, received \$65 million in democracy aid from Washington. Funds were provided by official agencies such as USAID, quasi-autonomous organizations (including NED), and were also funneled by the State Department through private NGOs, including Freedom House (Beissinger 2006). The U.S. Embassy in Kiev touts its support for the indigenous pro-democracy community, citing “Over 300 projects from Ukrainian NGOs have received funding through the Democracy Grants Program since July 1996,” amounting to some \$3 million over that period (U.S. Embassy in Ukraine 2007).

Georgia’s rose revolutionaries, including the NGO *Kmara*, a group modeled after (and trained by) the heralded Serbian reform group *Otpor*, received significant assistance from the National Democratic Institute (Beissinger 2006). Fair Elections, a Georgian NGO devoted to election-monitoring, was also generously funded by the NDI. The groups leveraged this outside assistance to field a sizable team of election monitors. The parallel vote tabulations conducted by the monitors helped to expose the massive election manipulation committed by the Shevardnadze regime (Fairbanks 2004:5–6). Reports of election fraud played a catalytic role in the mass protests that emerged, which toppled the regime and ushered in a democratic polity.

Kyrgyzstan’s tulip revolution was fostered in part by activists and activities funded by Washington. The State Department provided funds to several NGOs, and Kyrgyzstan’s only independent television station (Shishkin 2005; Spence 2005). Funding from the NED help to underwrite the efforts of a Kyrgyz NGO, known as Civil Society Against Corruption, which translated and distributed copies of Gene Sharp’s *From Dictatorship to Democracy*, a how-to manual on people power revolutions. In order to print the document, the group turned to the nation’s only independent publisher, whose printing press was provided courtesy of USAID (operating through Freedom House). When the Akayev-led government cut electricity to the publisher, the press ran off generators supplied by the U.S. Embassy (Shishkin 2005). Into the 21st century, therefore, civil society aid continues to play a constructive role in the promotion of democracy in Eastern Europe and beyond.

The Authoritarian Rejoinder

Despite the notable changes fostered through democracy aid, outsized expectations for the effectiveness of democracy assistance in authoritarian states should be tempered. The significant number of successful people-power movements have not escaped the notice of political leaders in autocratic regimes. Several of these regimes, including in Russia, Venezuela, Zimbabwe, Belarus, Uzbekistan, Tajikistan, Kazakhstan, Ethiopia, and Eritrea have moved to suppress civic NGOs and independent media, to prohibit international election monitors, and

to curtail other democracy assistance activities (Carothers 2006:55). These states have launched preemptive strikes against people power revolutions by erecting severe barriers to the flow of external assistance to indigenous NGOs; in essence, by imposing democracy aid quarantines. Democracy assistance programs, therefore, face daunting challenges in many potential target countries; especially where regimes are willing to brazenly repress independent political activity. Results, if they are achieved at all, are likely to be incremental and occur over a lengthy time horizon.

Nevertheless, democracy has become an established norm in the international system, so much so that even the most rigidly authoritarian states make a pretense of being democratic polities (China is one notable exception).¹⁶ Therefore, authoritarian regimes are subject to substantial international pressure to permit democracy assistance from abroad; especially if this assistance is presented as non partisan aid designed to support the development of state institutions and civil society. Most countries will therefore remain a viable target of democracy assistance, even as the effort has become more challenging.

Conclusions

Support for democracy promotion among the American public has dimmed in recent years as the practice has become associated with military interventionism and policy failure. Democracy promotion, however, can alternatively be conducted via non military approaches, including economic statecraft. While economic methods have indeed registered several major democracy promotion successes in recent years, success through economic statecraft is hardly automatic. Indeed, the efficacy of the various tactics employed in the approach is highly variegated. *Top-down* approaches to democracy promotion—conditional offers of economic aid and trade preferences—hold significant potential to induce policy reforms from authoritarian regimes. Results from these incentive approaches tend to be significant, however, only when *ex ante* conditionality is administered; that is, when aid packages and trade preferences are bestowed only after democratic conditions are satisfied. Few clear examples of the successful use of aid and trade to induce democracy exist, however, as the U.S. has only rhetorically supported democracy in its aid and trade agreements. In practice, Washington has largely eschewed democratic conditionality. The advent of the Millennium Challenge Account (MCA) seeks to align Washington's rhetoric on democratic conditionality with its policy, and may secure more aid-induced democratization successes; though the program remains hampered by underfunding. While the MCA may enable aid to become a more effective catalyst for democracy, few tangible *trade*-induced democratization events can be expected in the near-future, as Washington's commitment to enforcing democratic conditionality in its trade deals remains negligible.

Democracy assistance programs have a mixed record of success. Aid and technical assistance provided to legislative, judicial, and law enforcement institutions—democracy promotion from the *inside*—has largely failed to balance the scales away from executive dominance, and has generally done little to diminish corruption and enhance professionalism. Support to civil society and to elections—democracy promotion from the *bottom-up*—has demonstrated to be the *most* effective approach to fostering democratic change. Bottom-up democracy promotion works most effectively because the emergence of authentic elections

¹⁶ The status of democracy as the most legitimate form of government has been enshrined into international law through the UN Declaration of Human Rights. Furthermore, the UN's Millennium Declaration (2000) explicitly lists the expansion of democracy as a global objective, and the UN is engaged directly in democracy promotion through the efforts of the UN Development Programme, and the UN Democracy Fund (established in 2005).

and vigorous civic organizations empowers mass publics to compel democratic change and to consolidate democratic progress. Indeed, election aid and civil society assistance provided by the United States has played a key supportive role in the democratic progress realized in several regions; especially in Eastern Europe, Africa, and Latin America.

In select cases, U.S. democracy incentives and assistance have played a major causal role in a state's transition to democracy, including in Serbia, Ukraine, Georgia, Kyrgyzstan, Nicaragua, El Salvador, Chile, Mexico, and Ghana. Even this limited set of major successes reflects the effectiveness and strategic value of economic measures of democracy promotion; considering the relatively low costs and risks involved in the effort. Still, measured expectations should be maintained for what can be achieved through economic measures of democracy promotion. Washington has applied democracy promotion measures across virtually the entire set of non democratic states and, in most episodes, economic incentives and democracy assistance provided by Washington have played, at best, a minor role in any democratization that occurred. In many cases incentives and aid have failed completely to induce democratic reform. Furthermore, democracy promotion is facing a more challenging international environment today as compared with a decade ago, as several non democratic states—including Russia, Venezuela, and especially China—have begun to counterbalance against America's democracy promotion efforts with their own foreign aid programs.

Due to the inherent and emergent challenges to democracy promotion, if the United States wishes to achieve significant democratization results in the future, improvements in its strategic approach will be needed. An initial step would entail providing more substantial and consistent funding for democracy promotion efforts. Washington has historically devoted relatively meager sums to democracy promotion; as democracy aid represents approximately just 0.01% of all federal budget expenditures (Forsythe and Rieffer 2000; Baker 2005). Increased funding levels, however, will not be enough, if the other strategic approaches remain static. Greater attention and material resources should be devoted to those measures which have demonstrated to be the most effective catalysts of democratization; particularly, civil society aid and election assistance. Furthermore, agencies would be wise to assertively remedy the poor design and implementation issues which frequently afflict democracy programs; such as excessively brief time frames, absence of coordination with other donor states, inattention to unit-level influences (e.g., culture, history), and unfulfilled aid promises.¹⁷

Finally, incentive approaches, which utilize politically conditioned aid and trade privileges should not be ignored or undervalued. The Millennium Challenge Account shows significant promise as a means of leveraging aid for democracy, and therefore should be fully funded.¹⁸ Preferential access to America's world-leading import market represents a powerful inducement which has long been underutilized as a democracy promotion tool. For trade to be an effective catalyst for democratization, however, the U.S. will have to practice clear and credible democratic conditionality, where candidate states must demonstrate significant democratic progress before benefits are granted. Even if these enhancements are adopted, Washington will continue to find financing freedom to be an arduous task. Still, strategic improvements will facilitate democratization efforts against a growing headwind of authoritarian resistance.

¹⁷ Several studies address design failure in democracy assistance, including: Price 2009; Burnell 2008; Green and Kohl 2007.

¹⁸ The significant potential humanitarian and diplomatic benefits of the Millennium Challenge Account represent additional reasons to support full funding for the MCA.

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