

# The Buck Stops Here: What Global Horse Trading Tells Us about the European Project

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## **Abstract**

Is the European Union (EU) subservient to the interests of its more powerful member states? Several studies have highlighted the ways in which the EU and other multilateral organizations can diffuse the strategic interests of their more powerful member states. We maintain that this is not necessarily the case for the EU. Using temporary United Nations Security Council (UNSC) membership as a proxy for geopolitical interest, we argue that powerful states such as France, the United Kingdom (UK), and Germany can leverage the agenda-shaping powers associated with the rotating Presidency of the Council of Ministers in order to reward strategically important countries. Panel regressions of multilateral EU aid flows on up to 161 recipient countries from 1960-2008 provide robust support for our argument. Our findings lead to a more nuanced understanding of the power politics between the EU and its member states.

# 1 Introduction

A growing scholarly consensus asserts that multilateral aid organizations diffuse the ability of powerful states to unilaterally manipulate such organizations for their own strategic benefit (Maizels and Nissanke, 1984; Lumsdaine, 1993; Rodrik, 1996; Barnett and Finnemore, 1999, 2004; Martens et al., 2002; Hawkins et al., 2006; Lyne, Nielson, and Tierney, 2006; Milner, 2006; Copolevitch, 2010; Milner and Tingley, 2012; Schneider and Tobin, 2013). Yet bilateral foreign aid remains a powerful tool of diplomacy (Baldwin, 1985; Bueno De Mesquita and Smith, 2009). As Morgenthau (1962, pg. 302) points out, “foreign aid performs here the function of a price paid for political services rendered or to be rendered.” Surprisingly, states have increasingly delegated control of this foreign policy tool to multilateral institutions like the European Union (EU), International Monetary Fund (IMF), World Bank, and Regional Development Banks.

This leaves us with an interesting puzzle. If bilateral aid is an important foreign policy tool, why do states give up this power to multilateral organizations? Milner and Tingley (2012) contend that domestic publics lobby donors to use multilateral organizations to ensure that donors credibly commit to providing bilateral aid to recipient countries that need it the most rather than countries that are strategically important. But this begs a deeper question, have states actually given up this practice? In this study, we argue that powerful states still attempt to reward strategically important countries vis-

à-vis multilateral organizations. While previous scholarship focuses on the IMF, World Bank, and the Asian Development Bank—all institutions where a single state holds a disproportionate amount of power in the organization (Stone, 2004, 2008, 2011; Kilby, 2006; Kuziemko and Werker, 2006; Dreher and Jensen, 2007; Dreher, Sturm, and Vreeland, 2009*a,b*; Lim and Vreeland, 2013), we argue that this type of behavior happens in organizations where power is diffuse as well—namely, the EU.

The EU presents a particularly strenuous test of our argument for two reasons. First, power within the EU is fairly dispersed and oftentimes contested meaning that no single state has unilateral control over the actions of the EU (Moravscik 1998; Eurofound 2010). Second, the EU presents an extraordinary case of international organization. Member states have not only delegated certain tasks and responsibilities to the EU, but they have also ceded partial sovereignty to the EU. Because of these two factors, the EU may seem like an outlier—one relatively immune to political manipulation by states. Upon closer inspection, we show that this may not necessarily be the case.

Specifically, we ask do these states manipulate the EU’s aid budget to reward temporary members of the United Nations Security Council (UNSC)? While it is particularly difficult to develop a precise indicator of geopolitical interest, previous scholarship has established the importance of temporary UNSC members to international and regional hegemons (Kuziemko and Werker, 2006; Dreher, Sturm, and Vreeland, 2009*a,b*; Bueno De Mesquita and

Smith, 2010; Lim and Vreeland, 2013). Using temporary UNSC membership as a proxy for strategic interest, we find evidence that the pattern of Official Development Assistance (ODA) from the EU follows the aspirations of France, the UK, and Germany to influence the behavior of temporary UNSC members. Yet, this relationship is restricted to years only in which France, the UK, or Germany holds the rotating Presidency of the Council of the EU.<sup>1</sup> For all other years, the relationship disappears suggesting that the EU's more powerful states are still constrained by the EU and its institutions—namely, the European Commission.

This study merges two important literatures together: the political economy of foreign aid and theories of EU politics. By synthesizing these two literatures, this study advances the current debate over the institutional interactions happening between, arguably, a nascent supranational actor and its constituent member states. Our findings provide greater insight into the way in which powerful EU member states manipulate the EU for their own foreign policy goals yet still find themselves constrained by the EU and its institutions. Indeed, states use the EU as a laundering tool to advance their strategic interests (Abbot and Snidal, 1998; Dreher, Sturm, and Vreeland, 2009*a,b*; Lim and Vreeland, 2013). Yet we provide suggestive evidence that the balance of power may tilt toward the European Commission.

This paper is organized as follows. Section 2 discusses theories of EU

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<sup>1</sup>From here on, we refer to the Presidency of the Council of the European Union simply as the Presidency.

politics. Section 3 delves deeper into the political economy of the UNSC. Specifically, we focus on the incentives for France, Germany, and the UK to manipulate the EU's aid budget. Section 4 lays out our central argument. Section 5 empirically tests our hypothesis and presents a number of robustness tests. To conclude, we discuss the contributions of this study to a broader discussion on the EU and its relationship with its member states.

## 2 The Anatomy of the European Union

The EU challenges the way in which we conceptualize forms of state and political organization (Caporaso, 1996). For the purposes of this study, we simplify the EU into three broad parts: executive (European Commission), legislative (Council of the European Union and Parliament), and judicial (European Court of Justice).<sup>2</sup> In this study, we hone in on the institutional characteristics of the European Commission and Council, as they are central to the aid budgeting process.

The centerpiece of the EU's executive branch is the European Commission. As the main administrator of EU policy, the Commission oversees the implementation of any legislation, proposes legislation to the Council, represents the EU abroad, enforces any EU law, and generally runs the day-to-day functions of the EU bureaucracy. A President, who recruits a team of 26 commissioners from each national government, heads the Commission.

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<sup>2</sup>From now on, we refer to the Council of the European Union simply as the Council. It should not be confused with the European Council—an entirely different body.

In addition, the Commission boasts a hefty staff of 23,000 civil servants who manage a broad area of policy issues including Agricultural and Rural Development, Climate Action, Enlargement, Development, and Human Resources and Security just to name a few (European Commission 2013). Because of the nature of the Commission, most staff members do not have a particular allegiance to their national governments. Over time, the Commission has developed its own institutional interests independently of member governments and there is reason to believe that these interests will only solidify in the future (Hix and Hoyland, 2011). The observation that the Commission has a preference to nurture and foster European integration through its available policy toolkit is important to understanding the politics that happen between the member states and the Commission. Simply put, the Commission represents the interests of the European Project as a whole.

Broadly speaking, the Council serves as one of the main legislative bodies of the EU with the other being the European Parliament. With each member state having its national government directly represented on the Council, this body has traditionally been seen as one of the more powerful bodies of the EU (Thomson and Hosli, 2006). The Council is tasked with a number of powers including passing EU legislation, facilitating economic policy coordination among countries, signing bilateral and multilateral agreements, approving the EU budget, developing EU foreign and defense policy, and coordinating the courts and police forces of member states (Council of the European Union 2013). Much of the literature on the Council highlights

the importance of intergovernmental bargaining in developing the aforementioned areas (Moravcsik, 1991; Tsebelis and Garrett, 2000; Thomson et al., 2006).<sup>3</sup> As a whole, the Council represents the position of the collective EU member states—a direct result of this intergovernmental bargaining process.

Important to this study, is the role of the Presidency. This position, held by national governments rather than any one individual, rotates among all of the EU member states every six months. Generally, states have combined their EU-wide policy vision with future Presidencies to facilitate policy coherence. The power of the Presidency also affords national governments with special privileges—most notably, the power to set the agenda. If a state that holds the Presidency does not like a legislative proposal by the Commission, they can threaten to not put the proposal on the agenda for Council meetings (Hix and Hoyland, 2011). Scholars have documented that states holding the Presidency have enhanced bargaining power in intra-Council negotiations as well as negotiations with the Commission (Tallberg, 2003, 2004; Schalk et al., 2007; Warntjen, 2008; Tallberg, 2010; Aksoy, 2010). As we demonstrate in the next section, this power is incredibly important for states to use the EU as a laundering tool that advances their geopolitical interests.

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<sup>3</sup>Interestingly, most votes have erred toward unanimity even though they only need a Qualified Majority or Simple Majority (Matila and Lane, 2001).



### **3 The Political Economy of the United Nations Security Council**

In this section, we explore the inner-workings of the UNSC. After laying out the mechanics of vote buying, we examine the preferences of France, the UK, and Germany to engage in such behavior at the UNSC.

Why do states care about the UNSC? The United Nations Charter shows that the UNSC is, by far, the most powerful body of the United Nations UN. Article 39 of the UN Charter grants the UNSC the power to ascertain whether an aggressor nation has breached the peace while Articles 41 and 42 respectively authorizes the UNSC to impose sanctions and the use of force when deemed necessary. Moreover, the UNSC has also expanded its own scope through UNSC Resolutions 1265 (1999), 1296 (2000), and 1631 (2005), which ultimately lead up to UNSC Resolution 1674 (2006) affirming the principle known as Responsibility to Protect. These are just a few of the numerous powers that the UNSC has within the international system.

How does the UNSC work? Structurally, the UNSC consists of five permanent members and ten non-permanent members. Each non-permanent member enjoys a fixed two-year tenure where they represent a regional-bloc. Elections are staggered by region with regional blocs nominating the non-permanent member and the UN General Assembly approving the nomination by two-thirds majority vote. Interestingly, the upshot of this electoral process engenders stiff competition among UN members for these seats (Malone,

2004). Dreher et al. (2014) provide evidence that election patterns are somewhat systematic from region to region, but Kuziemko and Werker (2006) as well as Bueno De Mesquita and Smith (2010) emphasize that the timing of exit is exogenous because of the fixed two-year term limits.

A rich tradition of scholarship has elucidated the interest of powerful actors—namely, the United States (US) and Japan—in the temporary UNSC members (Kuziemko and Werker, 2006; Dreher, Sturm, and Vreeland, 2009*a,b*; Lim and Vreeland, 2013). Ostensibly, it might seem that countries like the US or Japan might want to provide just enough incentive to influence the members who hold pivotal votes on key issues yet evidence suggests that this is hardly the case. There are two main theories that unpack why powerful countries may reward all temporary UNSC members upon election. The first theory, as articulated by Hurd (2007), stresses the importance of the UNSC’s normative power to legitimize aggressive foreign policies. As Hurd (2007) further explains, the permanent members—China, France, Russia, the UK, and the US—represent the great powers of the world while the rest of the elected members serve as the voice for the rest of the world. The source of legitimacy for the UNSC, therein, lies with the principle that all countries in the world are represented at the UNSC. As a result, powerful states have an incentive to maximize the number of countries that cast affirmative ballots for that state’s resolution even though the requirements for a resolution to pass are nine affirmative votes and zero vetoes.

A second theory regarding why powerful states might have an incentive

to oversupply benefits to non-permanent members focuses on how votes convey information to domestic audiences. Chapman (2011) argues that if a leader from one of the aforementioned countries wishes to pursue a rather aggressive foreign policy, that leader may wish to garner more votes at the UNSC to signal credible, third-party information about a particular policy in order to win the support of a dovish domestic public. When Chapman and Reiter (2004) test this theory, they find strong evidence suggesting that US presidents benefit in their approval ratings from UNSC-authorized actions. But even if it makes sense for leaders to push for as many affirmative votes as possible on the UNSC, any horse-trading of votes done in public would hurt the credibility of any information conveyed by the UNSC. This leads to an important caveat in the literature on vote buying at the UNSC.

To solve the problem of credibility, states often times use international organizations to obfuscate any activities that may damage that states reputation (Vaubel, 1986; Abbot and Snidal, 1998; Lim and Vreeland, 2013). Given the evidence showing that domestic publics prefer that donors distribute aid through multilateral rather than bilateral channels, the use of international organizations as a laundering tool presents an interesting case of political subterfuge (Milner, 2006; Milner and Tingley, 2012). While we do not dispute that donor governments may be delegating their aid powers to multilateral organizations for these reasons, we argue that this does not fundamentally change the preferences of foreign policy elites within these donor states to try to influence the behavior of politically important countries. Rather, we

argue that bilateral and multilateral aid channels are imperfect substitutes. Powerful states can still manipulate multilateral organizations, but this activity is generally hidden from domestic and international audiences (Lim and Vreeland, 2013). In effect, international organizations provide the necessary political cover needed to carry out any activities that would normally damage a country's credibility relative to more visible channels such as bilateral aid.

Why specifically would France, the UK, and Germany have an incentive to buy votes at the UNSC? For one, France and the UK are two of the five permanent members of the UNSC giving them a privileged position at the world's preeminent organizations tasked with preserving international peace and security. Plausibly, France, the UK, and Germany can simply free ride off of the US's efforts. We argue that this ignores France, the UK, and Germany's unique preferences that are independent of the US's. Take for example the case of Kuwait in 1990. The US believed that it could bypass the UNSC in using force against Iraq because it was legally justified. Yet, France still pushed for Security Council authorization because of the legitimizing information that it would convey to French President François Mitterrand's domestic audience (Voeten, 2005). In this case, France would have an incentive to round up support within the UNSC because it would be in Mitterrand's interest to do so. An even more interesting case is the subsequent 2003 invasion of Iraq. Here, France stood diametrically opposed to the position staked out by the Bush and Blair administrations. French

Foreign Minister Dominique de Villepin decried that “we [France] believe that military intervention would be the worst solution to deal with the possibility that President Saddam Hussein’s regime possessed Weapons of Mass Destruction (De Villepin, 2003).” Again, France ostensibly had an interest to deliver side-payments to temporary UNSC members to compel them to take a stance similar to France’s.

A similar story can be told about Great Britain. Take for example the Suez Crisis in 1956. After Egyptian President Gamel Abdel Nasser nationalized the Suez Canal, the world was thrown into a diplomatic and military crisis. On one side stood the UK and, eventually, France who faced domestic pressure to overthrow the Nasser government and retake the canal (Kyle, 2011). On the other, was Egypt looking to flex its muscles in the Middle East. In the middle was President Eisenhower who strongly opposed any military intervention in the region (Alteras, 1993). Eventually, the UK and France vetoed the Security Council draft resolution aimed at solving the Suez Crisis forcing the US to call an Emergency Special Session of the General Assembly to resolve the crisis (Kafala, 2003). Another instance where the UK held a particularly strong preference independent of the US is the case of Rhodesia. During the early 1970s, the UK went on to unilaterally veto several resolutions dealing with the question of Rhodesia and pushed through several rounds of sanctions against Rhodesia with Security Council resolutions 221 (1966), 232 (1966), and 253 (1968)—the first set of mandatory trade sanctions in history (Gowlland-Debbas, 1990). As we show, the UK

has its own unique geopolitical objectives that it would like to achieve and these are not always in line with the US's.

Germany's relationship with the UN is also very interesting. Following the break up of Nazi Germany into the Federal Republic of Germany (West Germany) and the German Democratic Republic (East Germany), the international status of West and East Germany was ambiguous. Moreover, West and East Germany's first major interaction with the United Nations was on the question of their admission into the UN. The international community eventually admitted both states into the UN thus legitimizing each state's respective claims to sovereignty (Claude, 1966, pg. 376). But during the Cold War, this would be the most exposure that West Germany would have with the United Nations. West Germany avoided taking a leadership role in the United Nations and staked out a position of mere encouragement of the multilateral process itself (Pradatto, 2006). Thus, West Germany stayed relatively disengaged from the salient international political issues of the time.

Upon German reunification, Germany no longer idly stood by in the realm of international politics. Germany now pursues a deep commitment to multilateralism and international law (Belkin, 2009). Furthermore, Germany has now risen to become the third largest donor to the UN behind the US and Japan and the fourth largest contributor of peacekeeping forces behind the US, Japan, and France (German Federal Foreign Office, 2013). Recent German actions at the UN also demonstrate just how engaged they are with the UN. In the debate surrounding the 2003 Invasion of Iraq—a time where

Germany served as a temporary UNSC member, Germany repeatedly called on the US and its allies to not invade Iraq. Forming a bloc with France and Russia, German opposition to a US-led invasion significantly soured relations between the US and Germany. US National Security Advisor, Condoleezza Rice, went so far as to charge that Germany was pursuing a foreign policy based on “preventing the United States from going to war (Wiegrefe, 2010).” Finally, Germany has repeatedly lobbied the international community for a spot on the permanent UNSC and has supported the campaigns of many others including Brazil, India, and Japan (Odhiambo, 2011). Though West Germany was initially reluctant to pursue its foreign policy interests at the UN, post-reunification Germany has had no qualms with its aggressive pursuit of multilateralism at the UN.

The inner-workings and history of the UNSC are indeed a fascinating area of study. Though we do not take a stance on whether the activities going on behind the scenes are positive or negative, the work in this area does provide a clear framework for understanding why countries like France, the UK, or Germany would have an interest in manipulating the EU to further their goals at the UNSC. In the following section, we explain how these goals might be constrained by the institutional setup of the EU.

## 4 A Theory of Political Manipulation at the European Union

Copolevitch (2010) and Schneider and Tobin (2013) present a model of international organization decision making that stresses the role of the “collective principal” (powerful states) and the “agent” (IO staff). We add to their models by highlighting the way in which powerful states can unilaterally shift the aid budget closer to their ideal points. In our model, there are two types of players—states and the Commission. States have a preference for aiding countries that are strategically important to them—an assumption not unreasonable given the established scholarship. Like Schneider and Tobin (2013), our dependent variable of interest is the level of politically motivated aid.

Under standard rational choice theory, we assume that players want to maximize utility in line with their preferences. In this case, states would like to reward countries that are strategically important to them. An added benefit is that the EU provides political cover for activities that may not be palatable to domestic publics or other states (Lim and Vreeland, 2013). The Commission strictly prefers that aid projects follow developmental goals (Marcha and Olsen, 1998; Schneider and Tobin, 2013). Though this final assumption is rather strong, evidence suggests that it is not unreasonable. Carbone (2007) highlights how the EU bureaucracy has consistently defended the interests of the poorest countries of the world despite the interest of some member states to shift aid toward politically important countries. With the



Commission entirely composed of staff members—civil servants, economists, etc.—that have no official ties to any one country, Ross (1995) and Tsebelis and Garrett (1996, 2000) point out that the Commission is the most pro-integrationist actor within the EU. Moreover, Thomson and Hosli (2006) point out that the Commission has bargaining power equal to that of two to three member states. By caving into the whims of national governments, the Commission would suffer legitimacy costs in its ability to deepen European integration. As a result, the Commission has an incentive to push back against the demands of states to reward their political clientele.

The basic rules of the game are as follows. In successive rounds, states bargain with each other and the Commission over the level of politically motivated aid. Moreover, states have the ability to form coalitions and act as a “collective principal” to push through any homogenous interests (Copolovitch, 2010; Schneider and Tobin, 2013). The caveat is that the Presidency exogenously rotates among the member states. Our proposition is that the Presidency endows a member state with a number of extra powers most notably being the power of agenda setting. Because the Presidency allows national governments to set the agenda, they are able to bypass the coalition building process in the Council and directly bargain with the Commission over the amount of politically motivated aid. As Tsebelis and Garrett (1997) and Tallberg (2008) note, the ability to set the agenda of a meeting is a uniquely powerful tool to extract concessions when bargaining. In the context of the EU’s aid program, this agenda setting power allows states to push

back votes on projects that are particularly important to the Commission such as development aid aimed at countries that need it the most. When a state with a particularly intense geopolitical preference holds the Presidency, it is able to leverage this agenda setting power to shift the amount of politically motivated aid closer to its ideal point by threatening to delay consideration of legislation important to the Commission. When that state rotates off of the Presidency, it loses its agenda setting power thus forcing it to engage in the costlier action of coalition building if it would like to push through its own interests.

Though our model treats political motivation as a dependent variable in an abstract sense, it is important to hone in on what it actually means to be politically important. In other words, we need a clearly identifiable variable to proxy for this latent characteristic. We argue that temporary UNSC membership captures political importance in a clear, measurable, and useful way. A long line of scholarship demonstrates that international and regional hegemons have a keen interest in temporary UNSC members precisely because the nature of temporary membership propels these countries into international prominence (Kuziemko and Werker, 2006; Dreher, Sturm, and Vreeland, 2009*a,b*; Bueno De Mesquita and Smith, 2010; Lim and Vreeland, 2013). Hence, we argue that temporary UNSC membership provides a crisp operationalization of the latent variable: political importance.

From this model, we derive the following testable hypothesis.

*In years where France, the UK, or Germany holds the rotating Pres-*

*idency, temporary UNSC members receive more multilateral aid from the EU.*

## 5 Evidence

### 5.1 Data

In order to empirically assess the political economy of EU foreign aid patterns, we assemble a panel dataset with annual observations on up to 161 countries from 1960 to 2008. The main hypothesis that we test is that, controlling for a battery of political, economic, and institutional indicators, temporary UNSC members in years where France, the UK, or Germany hold the Presidency receive more multilateral aid from the EU.

An important question still looms. Could it be the case that simply politically important countries get elected more often to the UNSC than their non-member counterparts thus injecting potential selection bias into our results? Although this concern is one far too familiar for those working with observational data in the social sciences, there are two main reasons not to be worried by this. While there may be some systematic component to the types of countries elected to the UNSC as suggested by Dreher et al. (2014), the two-year term limit placed on all temporary UNSC members enforces exogenous exit for all countries that are elected to the UNSC in any given year. A second source of exogeneity that we exploit is the nature of the rotating EU Council Presidency. Because EU member states agree

upon the timing of each state's respective tenure as President well before the election of any temporary UNSC members, it is near impossible for France, the UK, or Germany to anticipate when exactly a state will be elected to the UNSC. In each case, a set of institutional rules set outside the EU's foreign aid decision calculus gives us a source of exogenous variation in the key independent variable. As a result, we are able to confidently proceed with the standard regression analysis. To verify our results, we use an even more stringent check for selection bias in the robustness section.

To test our hypothesis, we use the logged, real amount of Official Development Assistance (ODA) disbursed measured in constant 2000 USD from the EU as our dependent variable in this study. The data is taken from the World Bank's World Development Indicators (2013). From 1960 onward, the total amount of aid that the EU disburses steadily increases throughout the entire time period captured by the dataset. This increasing amount of aid over these past 40+ years most probably reflects the greater importance that the EU has placed on its foreign aid program for reasons humanitarian as well as strategic and commercial (European Consensus on Development 2006).

For our main hypothesis testing the effect of temporary UNSC membership, we code all country-year observations that sit on the UNSC simultaneously when France, the UK, or Germany controls the Presidency as 1. Otherwise, we code all other cases as 0. As outlined in section 2, Germany did not develop an intense preference for engagement at the UNSC until after

reunification in 1990. For this reason, we only include Germany into the set of Presidency years following 1990.<sup>4</sup> Additionally, we code all years in which a country served on the temporary UNSC as 1 and the rest as 0 regardless of the state that holds the Presidency. We proceed to test our hypothesis against a number of models of EU foreign aid.

We first construct a recipient need model of foreign aid. Besides including our main independent variable of interest—temporary UNSC membership, we include economic development measured by logged real GDP per capita (constant 2000 USD, lagged one year) with data coming from the World Bank’s World Development Indicators (WDI) database (Group, 2013). We expect this variable to be negatively correlated with the level of aid a country receives (Maizels and Nissanke, 1984; Tsoutsoplides, 1991; Lumsdaine, 1993; Carbone, 2007). We also include a control for the logged population (Group, 2013) and expect this variable to be positively correlated with the level of aid a country receives.

Our second model builds upon the recipient needs model by adding the commercial interests that the EU and its members may have. Mainly, we proxy the commercial interests of the EU and its member states by using the logged value of imports from the EU normalized as a percent of the recipient country’s GDP with data taken from the Correlates of War International Trade Database (Barbieri and Keshk, 2012). Following Hanson (1998) and

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<sup>4</sup>Our results verify this switch in preference intensity. In years where West Germany held the Presidency, the effect of Security Council membership diminishes.

Kostadinova (2009), we expect this variable to be positively correlated with the amount of aid a country receives. Given the immense influence of export lobbies in the EU, we predict that poor countries that buy more from the EU are rewarded with more aid from the EU.

Our third model of interest builds upon the recipient needs model but also reflects the potential influence of regime type on the decisions made by national governments and staff members of the Commission. We operationalize regime type using a binary indicator variable (lagged one year) that codes democracies as 1 and autocracies as 0 (Cheibub, Gandhi, and Vreeland, 2010). Though many studies use the Polity Index of regime type developed by Marshall, Jaggers, and Gurr (2013), we choose to forgo the ordinal nature of the Polity IV Index in favor of a binary indicator variable because the indicator better captures the underlying institutional characteristics that differentiate democracies from autocracies (Cheibub, Gandhi, and Vreeland, 2010).<sup>5</sup> A major paradigm within EU scholarship highlights the importance of ideational factors that socialize states into liberal democratic norms (Flynn and Farrell, 1999; Samur, 2004; Schimmelfennig, 2005; Brzel and Risse, 2009). As a result, we expect democracies to receive more foreign aid than their autocratic counterparts.

Finally, we test a fully specified model by combining the recipient needs, commercial, and regime type models together. This model allows us to tell

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<sup>5</sup>Our results remain substantively unchanged when we replace the Cheibub, Gandhi, and Vreeland (2010) indicator with the Polity IV Index.

the relative effects of the different variables of interest including our key independent variable—temporary UNSC membership for key rotating Presidency years.

A cursory analysis of the data provides us with some preliminary evidence for our main hypothesis. The mean amount of aid for temporary UNSC members in years where France, the UK, or Germany holds the Presidency is 25.9 million, constant 2000 USD while the mean amount of aid for non-members is 19.1 million, constant 2000 USD. A simple t-test of the difference between the means shows that temporary UNSC members receive significantly more ( $p < 0.05$ ) aid than their non-member counterparts. Of course this evidence is only suggestive of a relationship, as it does not control for potentially confounding factors. Thus, we turn to the more rigorous method of regression analysis.

## 5.2 Methodology

The crux of this study lies in the regression analysis of multilateral aid flows from the EU Commission. In order to analyze EU multilateral aid patterns, we mainly rely on OLS estimates with country-fixed effects using Huber-White robust standard errors clustered by country to correct for heteroscedasticity in the error terms. Although Schneider and Tobin (2013) use the method of Panel Corrected Standard Errors suggested by Beck and Katz (1995, 1996) in order to include any covariates that do not exhibit significant within-country variation (ie, colonial history, region, time period,

etc.), we forego this method so as to control for heterogeneous country effects.<sup>6</sup> We also include year-fixed effects in our models to control for any global, exogenous shocks. We include a lagged dependent variable to model any autocorrelation that could be resultant of bureaucratic inertia within the Commission. Finally, we include a one-year lag of our main explanatory variable as well as a one, two, three, and four-year lead of our main explanatory variable to capture the temporal dynamics of the aid process (Kuziemko and Werker, 2006; Lim and Vreeland, 2013).

### 5.3 Results

Do France, the UK, and Germany channel EU multilateral aid to reward temporary UNSC members in years where they hold the Presidency? Evidence across all of our models suggests that this is the case. Our most conservative model predicts that temporary UNSC members can expect to receive a 22 percent increase in their aid receipts from the EU two years after France, the UK, or Germany holds the Presidency. Given that the length of a typical aid project from the EU Commission can be up to five years, the statistical significance on the two year lead of our key independent variable reflects the typical project cycle for a project (European Commission, 2004).

A plausible alternative to our main hypothesis is that perhaps the EU Commission rewards *all* newly elected UNSC members. Given the available

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<sup>6</sup>Our main results substantively hold when we specify a Panel Corrected Standard Errors Model as well.



	(1)	(2)	(3)	(4)	(5)
	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)
	-0.322	-0.431	-0.705	-0.459	-0.708
Temporary UNSC Member (France/UK/Germany Presidency Years, One Year before)	(-1.06)	(-1.35)	(-1.77)	(-1.42)	(-1.78)
Temporary UNSC Member (France/UK/Germany Presidency Years)	0.0491	0.0492	0.220	0.0393	0.215
Temporary UNSC Member (France/UK/Germany Presidency Years, One Year after)	(0.29)	(0.28)	(1.14)	(0.23)	(1.11)
Temporary UNSC Member (France/UK/Germany Presidency Years, Two Years after)	(0.86)	(1.02)	(0.46)	(0.96)	(0.41)
Temporary UNSC Member (France/UK/Germany Presidency Years, Three Years after)	0.224*	0.252*	0.348**	0.253*	0.371**
Temporary UNSC Member (France/UK/Germany Presidency Years, Four Years after)	(2.11)	(2.26)	(2.79)	(2.35)	(3.03)
Temporary UNSC Member (France/UK/Germany Presidency Years, Five Years after)	-0.105	-0.131	-0.105	-0.123	-0.101
Temporary UNSC Membership (One Year before)	(-1.12)	(-1.46)	(-1.09)	(-1.38)	(-1.03)
Temporary UNSC Membership (One Year after)	0.329**	0.340**	0.221	0.306**	0.199
Temporary UNSC Membership (Two Years before)	(2.89)	(2.97)	(1.81)	(2.71)	(1.64)
Temporary UNSC Membership (Two Years after)	-0.00623	0.00228	0.0653	0.0133	0.0633
Temporary UNSC Membership (Three Years before)	(-0.06)	(0.02)	(0.55)	(0.13)	(0.58)
Temporary UNSC Membership (Three Years after)	-0.00107	0.0585	0.119	0.0643	0.119
Temporary UNSC Membership (Four Years before)	(-0.01)	(0.41)	(0.64)	(0.45)	(0.65)
Temporary UNSC Membership (Four Years after)	0.108	0.122	0.0463	0.117	0.0515
Temporary UNSC Membership (Five Years before)	(0.53)	(0.57)	(0.18)	(0.54)	(0.20)
Temporary UNSC Membership (Five Years after)	0.365***	0.374***	0.436***	0.407***	0.437***
Lagged Dependent Variable	(6.74)	(5.97)	(7.23)	(6.99)	(7.24)
Log of Real GDP per Capita (Constant 2000 USD; Lagged)		-0.0391	-0.229*	-0.0801	-0.226
Log of Population (Lagged)		(-0.79)	(-2.02)	(-0.66)	(-1.98)
Log Imports from the EU (Democracy Indicator)		0.604	0.00474	0.632	0.0211
		(1.17)	(0.01)	(1.28)	(0.04)
		(0.80)	(0.80)	(0.82)	(0.82)
				0.212	0.0767
				(1.71)	(0.59)
Constant	10.16**	2.011	11.44	1.077	11.17
	(15.90)	(0.25)	(1.46)	(0.14)	(1.45)
Observations	4418	3890	2893	3819	2887

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models include country and year fixed effects with robust standard errors.

data, it seems that this is not the case because the coefficient on temporary UNSC members, regardless of who holds the Presidency, actually fails to reach statistical significance in all models.<sup>7</sup> This lends support for our theory that states leverage their agenda setting power to extract concessions from the EU Commission when they hold the rotating Presidency.

There are also a few noteworthy findings worth highlighting. In all models, the level of development does not have a statistically significant impact on the level of multilateral aid receipts from the EU. Contrary to Kostadinova (2009) argument that the EU rewards its trading partners, we find no such evidence in our models. This is rather surprising given the immense power of export lobbies within the EU. Finally, we find some evidence that the EU Commission rewards democracies with the coefficient on our democracy indicator variable being positive and statistically significant in the full specification.

Given the tendency of lagged dependent variables to suppress the effects of other covariates, our results are indeed encouraging for our central argument and causal mechanism (Achen, 2001). Yet the selection question still looms. In the following section, we exploit Africa's turn-taking norm on the UNSC to verify that our results are not driven by selection bias (Dreher et al., 2014).

	(1)	(2)	(3)	(4)	(5)
	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)	Log of Real EU ODA (Constant 2000 USD)
	-0.864	-1.008	-1.012	-1.008	-1.012
Temporary UNSC Member (France/UK/Germany Presidency Years, One Year before)	(-1.50)	(-1.68)	(-1.69)	(-1.68)	(-1.69)
Temporary UNSC Member (France/UK/Germany Presidency Years)	0.245	0.207	0.196	0.201	0.190
Temporary UNSC Member (France/UK/Germany Presidency Years, One Year after)	(0.89)	(0.72)	(0.67)	(0.69)	(0.65)
Temporary UNSC Member (France/UK/Germany Presidency Years, One Year after)	0.157	0.0895	0.0879	0.0913	0.0897
Temporary UNSC Member (France/UK/Germany Presidency Years, Two Years after)	(0.86)	(0.45)	(0.43)	(0.45)	(0.44)
Temporary UNSC Member (France/UK/Germany Presidency Years, Two Years after)	0.340*	0.399**	0.398**	0.399**	0.398**
Temporary UNSC Member (France/UK/Germany Presidency Years, Three Years after)	(2.56)	(2.84)	(2.84)	(2.81)	(2.80)
Temporary UNSC Member (France/UK/Germany Presidency Years, Three Years after)	-0.109	-0.143	-0.148	-0.140	-0.146
Temporary UNSC Member (France/UK/Germany Presidency Years, Four Years after)	(-0.83)	(-1.23)	(-1.28)	(-1.20)	(-1.25)
Temporary UNSC Member (France/UK/Germany Presidency Years, Four Years after)	0.112	0.138	0.144	0.142	0.147
Temporary UNSC Member (France/UK/Germany Presidency Years, Five Years after)	(0.76)	(0.91)	(0.94)	(0.92)	(0.95)
Temporary UNSC Member (France/UK/Germany Presidency Years, Five Years after)	-0.124	-0.0737	-0.0742	-0.0697	-0.0703
Temporary UNSC Membership (One Year before)	(-0.83)	(-0.46)	(-0.46)	(-0.43)	(-0.43)
Temporary UNSC Membership (One Year before)	0.114	0.168	0.171	0.166	0.169
Temporary UNSC Membership (One Year before)	(0.49)	(0.65)	(0.66)	(0.64)	(0.65)
Temporary UNSC Member	-0.0496	0.0608	0.0715	0.0664	0.0772
Lagged Dependent Variable	(-0.14)	(0.15)	(0.18)	(0.17)	(0.20)
Lagged Dependent Variable	0.457***	0.477***	0.476***	0.477***	0.476***
Lagged Dependent Variable	(4.82)	(4.93)	(4.86)	(4.92)	(4.85)
Log of Real GDP per Capita (Constant 2000 USD; Lagged)	-0.214	-0.214	-0.225	-0.200	-0.210
Log of Population (Lagged)	(-1.91)	(-1.91)	(-1.87)	(-1.75)	(-1.77)
Log Imports from the EU (Democracy Indicator)	-0.535	-0.535	-0.536	-0.532	-0.533
Democracy Indicator	(-1.38)	(-1.38)	(-1.36)	(-1.36)	(-1.34)
Democracy Indicator	(-0.23)	(-0.23)	(-0.23)	(-0.23)	(-0.23)
Constant	9.485**	19.40**	19.64**	19.19**	19.44**
Constant	(8.14)	(3.01)	(3.04)	(2.93)	(2.96)
Observations	1903	1736	1722	1736	1722

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

All models include country and year fixed effects with robust standard errors.

## 5.4 Robustness Checks

It may be the case that our results are driven by a spurious correlation between temporary UNSC membership and prominence in the international system. Though this is likely not the case because states are exogenously forced to exit after they finish their two-year terms and the Council pre-determines the timing of states' Presidency tenure, we nevertheless subject our results to an even more stringent test for selection bias. As Dreher et al. (2014) point out, the African group exhibits a strong turn-taking norm in that they rotate the states that hold the three UNSC seats left for the African group amongst themselves. Moreover, this norm is codified into the rules of the African Union (Union, 2006). Because Security Council rotation seems to be the most exogenous within the African group, we exploit this observation and limit our main analysis to only cover the African continent so as to mitigate any potential selection bias.

Again, Table 2 indicates that our results substantively hold across all models even when we limit our analysis just to the African group. On average we can expect newly elected UNSC members in the African group that serve concurrently with France, the UK, or Germany's Presidency of the Council to receive about 34 percent more aid two years after France, the UK, or Germany end their tenure as President *ceteris paribus*. Temporary UNSC members in the year before either France, the UK, or Germany holds the

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<sup>7</sup>The coefficient on the UNSC variable fails to reach statistical significance when we include one, two, three, and four year leads of the variable as well.

Presidency do not receive significantly more aid, but receive an influx of aid two years afterward. As hypothesized, powerful states are only able to induce the Commission to reward politically important states when they hold the Presidency as shown by the failure of temporary UNSC membership for all years to reach statistical significance.

Though the African group does not exhibit perfect exogeneity of exit, it provides a unique test for selection bias. Encouragingly, our main results survive lending support that our findings do not suffer from selection bias. Our results from both our main analysis as well as our analysis of the African bloc provides suggestive evidence in support of our theory.

## **6 Toward a More Nuanced Theory of International Organization**

The ascension of the EU into international prominence has vast implications for the study of world politics. Should member states continue to delegate sovereignty to Brussels, the EU could very well escape Rosato (2011) steady decline and challenge US international hegemony as Kupchan (2003) argues. Interestingly, states have delegated an increasing amount of a key foreign policy tool identified by Morgenthau (1962)—foreign aid—to the EU Commission where now the Commission is the largest aid donor in all of Europe and second behind the US globally (Group, 2013). While there are indeed benefits to delegation, the specter of international politics still lurks close by.

This study demonstrates that powerful states manipulate the EU to advance their unilateral international political interests. This begs the question: how else are states manipulating the Presidency for their own benefit? While we provide suggestive evidence that France, the UK, and Germany use this position to advance their geopolitical interests, our model leaves open the possibility that states use the Presidency to extract other benefits from the EU as well.

Though we provide evidence that the EU is susceptible to political manipulation, we are also mindful that all international organizations are not cut from the same stone. Most interestingly, this study shows that the EU constrains its more powerful member states from using the EU as a tool to launder their dirty work. Particularly, we find evidence that the Commission prevents powerful states like France, the UK, and Germany from pushing through politically motivated aid policies such as rewarding temporary UNSC members whenever these states would like. France, the UK, and Germany seem to only be able to push through politically motivated aid packages only when they have augmented bargaining power over the Commission. Given the, largely unchallenged, ability of hegemons to manipulate the IMF, World Bank, and Asian Development Bank, our results provide an important caveat to this literature.

For those interested in the politics of international development, the normative implications of our findings are encouraging. Given the pernicious consequences of politically motivated aid such as the empowering of auto-

crats (Smith, 2008; Bueno De Mesquita and Smith, 2009, 2010; Ahmed, 2012; Aurore, 2013; Cruz and Schneider, 2013), perpetuation of corruption (Svensson, 2000; Alesina and Weder, 2002), precipitation of civil conflict (Girod, Lim, and Vreeland, 2011), and debilitation of economic growth (Dreher, Eichenauer, and Gehring, 2013), it may be a positive aspect that the Commission is developing an increasingly visible hand in the developing world. Though this study does not delve into the merits of foreign aid writ large, our findings imply that aid from the EU runs a lower risk of politicization than aid or loans provided by other bilateral and multilateral donors. At the same time, foreign aid is also an important policy instrument for states to compel other states to take certain actions that are in line with the donor state's goals. In the near future, it is highly unlikely that France, the UK, or Germany would completely cede this tool to the Commission.

On a final note, the European Union (EU) problematizes the venerated position that the nation-state has held within the international system (Caporaso, 1996). Neofunctionalists contend that spillover effects from the various treaties that constitute the EU motivate transnational actors to spur supranational integration (Haas, 1961, 2004; Lindberg and Scheingold, 1970). Yet, constructivists posit that the EU presents an alternative to anarchy—the organizing principal that governs international relations (Ruggie, 1992; Caporaso, 1992). But perhaps the EU is just the byproduct of intergovernmental bargaining; realists argue that, ultimately at the EU's numerous institutions, the nation-state is still at the driver's seat (Hoffman, 1966; Taylor,

1983; Moravcsik, 1991, 1993, 1998). How should scholars and policy makers conceptualize the EU?

Some scholars may go as far as to say that institutions are essentially epiphenomenal in that they only reflect the current distribution of power in the international system (Mearsheimer, 1994-1995). This may hold true for international organizations like the IMF and World Bank where the US holds tremendous influence (Thacker, 1999; Oatley and Yackee, 2004; Stone, 2004, 2008, 2011; Broz and Hawes, 2006; Dreher and Jensen, 2007). Yet, the case of the EU challenges this notion. Evidence from this study shows that the powerful EU member states are constrained by the EU and its institutions. This relationship is unique when considered alongside other organizations aimed to engender international economic cooperation. Hence, our findings add to the literature urging careful consideration of supranational actors as independent variables in international politics (Pollack, 1997; Barnett and Finnemore, 1999, 2004). In the European context, the Commission is not a forum *through* which states bargain; rather, it is an actor that states bargain *with*.

Though our results indicate that the Commission is a powerful political actor, states can still use the powers of the Presidency to extract concessions from the Commission. Thus, we demonstrate that these supranational institutions can still be controlled by their member states (Nielson and Tierney, 2003; Hawkins et al., 2006). In this sense, the theoretical implications of our findings fall in the vein of Copolevitch (2010) who argues that the IMF



is both “master” and “servant” to its member states. This article presents evidence that France, the UK, and Germany leverage the Presidency to influence the behavior of politically important countries, but it also shows that the EU is unlike other multilateral organizations in that the Commission constrains its more powerful member states to a limited degree. This constraining effect should not be overstated. Should states find themselves with unique positions of power like the Presidency, national governments can still manipulate the EU to pursue their geopolitical objectives.

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