Are candidate countries converging with the EU in terms of the Copenhagen political criteria?

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Abstract

The Copenhagen criteria for EU accession are the essential preconditions that candidate countries must satisfy to be deemed eligible for membership. In line with the strand of the literature that focuses on candidate countries' convergence with the EU, the paper examines whether converge with the EU in terms of the Copenhagen political criteria can be established empirically for candidate and potential-candidate countries. Currently, the candidate country status is granted to Albania, North Macedonia, Montenegro, Serbia and Turkey. Bosnia-Herzegovina and Kosovo are recognised by the EU as potential candidate countries. In addition to the candidate and potential candidate countries, we include in the convergence tests the six countries of the Eastern Partnership EU policy: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine. Using unit root tests, convergence is examined in terms of two indices drawn from the Varieties of Democracy (V-Dem) project: the *Liberal democracy* and the *Civil liberties* indices. The findings reported herein, are not uniform and on the whole offer only scant evidence in favour of the convergence hypothesis. For some of the candidate and potential candidate countries convergence is established, while for others the results do not point to such a process.

Keywords: Copenhagen criteria, Europeanization, convergence, unit root tests, structural breaks

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1. Introduction

The Copenhagen criteria, adopted by the European Council in 1993, describe the fundamental conditions that candidate countries must satisfy to be eligible for EU accession[1]. They include both economic and political preconditions as well as the institutional capacity to adopt and implement the evolving acquis communautaire. The accession political criteria require "*stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities*". As noted by Castaldo and Pinna (2018), the role played by the EU political conditionality for promoting effective democracy and rule of law in the Central and Eastern European enlargement has been extensively examined by the extant literature on Europeanization (*inter alia*: Featherstone and Radaelli, 2003; Schimmelfennig and Sedelmeier, 2005; Jorgensen *et al*. 2007). Recently however, its consolidation and lasting effect has come under scrutiny. Moreover, reservations of whether the next enlargement wave will replicate this originally successful outcome have been expressed (*inter alia*: Dimitrov and Plachkova, 2021; Dimitrova, 2021).

Currently, the candidate country status is granted to five countries: Albania, North Macedonia, Montenegro, Serbia and Turkey[2]. All at are various stages of the accession negotiation process. Except for Turkey, all other candidate countries are former east-European countries. Turkey is the country with the longest association and candidacy history. It dates as far back as the 1963 Ankara Association Agreement (Phinnemore and İçener, 2016; Icoz, 2011). The candidate country status was granted to Turkey in 1999 and accession negotiations started in 2005 but progressed at a very sluggish pace and currently are frozen. From the other four, North Macedonia applied for membership in 2004 and was declared a candidate country in 2005. Albania applied in 2009 and was officially awarded the status of candidate country in 2014. Serbia was granted the candidate country status in 2012 and

[1] Defined by the 1993 European Council in Copenhagen. https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/accession-criteria_en

[2] https://ec.europa.eu/neighbourhood-enlargement/countries/check-current-status_en

accession negotiations started in 2014. Finally, from the group of countries with official candidate status, Montenegro is the newest independent state. It declared its independence in 2006. Subsequently, it applied for EU membership in 2008. It was officially declared a candidate country in 2010 and accession negotiations started in 2012.

A long-standing pivotal policy of the EU is the active pursuit of convergence among its member-states aiming to reduce disparities (*inter alia*: Borsi and Metiu, 2015; Chapsa *et al.* 2015; Lyncker and Thoennessen, 2017; Galletti, 2018). As noted by Ferdosi (2020), convergence is a process whereby differences between countries become much less discernible. As candidate countries start converging with the EU during the pre-accession phase, it facilitates and smooths the process of integration once full membership is eventually achieved (*inter alia*: Vojinovic *et al*. 2010; Kollias and Messis, 2020; Surubaru, 2021). This is particularly important when it comes to the political conditionality for promoting effective democracy and rule of law in political processes and institutional functioning.

Herein, the convergence hypothesis in terms of the Copenhagen political criteria is examined using two indices of the *Varieties of Democracy* (V-Dem) project[3] that offer new insights at quantifying democracy and democratic rule (Coppedge *et al.* 2019; Pemstein *et al*. 2019). These are the *Liberal democracy* index and the *Civil liberties* index. To the best of our knowledge, neither index has been used before to investigate the candidate countries convergence hypothesis in terms of the Copenhagen political criteria. Furthermore, in addition to the current candidate countries, we include in the empirical investigation Bosnia-Herzegovina and Kosovo. Both are recognized by the EU as potential candidate countries[4]. Bosnia-Herzegovina applied for membership in 2016 but is still at the stage of potential candidate country that was awarded in 2003. A *Stabilisation and Association Agreement* between the EU and Kosovo was signed in 2014 and entered into force in 2016.

[3] https://www.v-dem.net/en/ and at https://www.v-dem.net/media/filer_public/f9/08/f908eb53-c0e2-40f0-9294-e067537d8f0b/v-dem_policybrief_5_2016.pdf for a brief outline of the project and the indicators it compiles using both factual information from official documents as well as subjective assessments by experts.

[4] https://ec.europa.eu/neighbourhood-enlargement/countries/check-current-status_en

As observed by Lavenex (2008), the appealing prospect of EU membership and the concomitant accession conditionalities associated with it, has proved to be a successful means of inducing third countries to adapt and implement the acquis communautaire. In the extant literature on convergence, two group of drivers are identified as convergence promotors: domestic and international (*inter alia*: Bennett, 1991; Dolowitz and Marsh, 2000; Drezner, 2005). The latter includes the harmonization of national policies through the voluntary adoption, implementation and compliance to the norms and standards of another entity. In this case compliance to the conditionalities required for EU accession.

In a similar vein, it has been argued that the EU's European Neighborhood and Eastern Partnership policies can be viewed as promotors of EU norms and policies to countries currently below the candidate or potential candidate threshold (Lavenex and Schimmelfennig, 2009; Lavenex, 2008). The notion of external governance proposed by Lavenex (2004), refers to the '*extraterritorialization*' of EU policies and the EU acquis in the wider neighborhood (p. 681). Although the aim of such policies is primarily economic and developmental they nevertheless include broader goals that extend beyond the economy. For instance, the priority action areas of the Eastern Partnership Policy (EaP)[5] include the strengthening of institutions and promotion of good governance in the six partner countries. These are Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. In the context of the external governance notion proposed by Lavenex (2004), it was decided to include the six EaP countries in the empirical analysis that follows. Currently, the majority of the EaP group of countries are at the association agreement stage. The association agreement with Ukraine and Moldova was signed in 2014 and the one with Georgia in 2016. Bilateral relations with Armenia are based on the Comprehensive and Enhanced Partnership Agreement signed in 2017 and with Azerbaijan are based on the EU-Azerbaijan Partnership and Cooperation Agreement in force since 1999. Relations with Belarus are at a much earlier stage[6].

The rest of the paper is structured as follows. In the next section we proceed with a descriptive and comparative presentation of the two V-Dem indices that are

[5] https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/eastern-partnership_en
[6] Negotiations on EU-Belarus Partnership Priorities begun in 2016

used to examine the convergence hypothesis for the candidate, potential candidate and EaP countries. In line with previous studies, a battery of unit root tests is employed in the empirical investigation of the convergence hypothesis. A brief overview of the methodology used is included in section three where the findings are presented and discussed. Finally, section four concludes the paper.

2. The indices and a descriptive comparison

The two indices used to examine whether the thirteen countries under scrutiny are converging in terms of the Copenhagen political criteria are a) the *Liberal democracy* index (henceforth *LibDem*) and b) the *Civil liberties* index (henceforth *CivLib*) of the *Varieties of Democracy* (V-Dem) project (Coppedge *et al.* 2019; Pemstein *et al*. 2019). The former, i.e. the *LibDem* index, is a composite measure[7] of liberal democracy (scale: 0-1) that allows for the multidimensionality of the concept. It incorporates aspects such as electoral democracy, rule of law and independent judiciary, constitutional protection of civil liberties, effective checks and balances on the executive. In particular, in the V-Dem project the liberal democracy principle "*emphasizes the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority … takes a "negative" view of political power insofar as it judges the quality of democracy by the limits placed on government … achieved by constitutionally protected civil liberties, strong rule of law, an independent judiciary, and effective checks and balances that, together, limit the exercise of executive power … the index also takes the level of electoral democracy into account*". The latter, i.e. the *CivLib* index, quantifies (scale: 0-1) civil liberties that are *"…understood as liberal freedom, where freedom is a property of individuals … is constituted by the absence of physical violence committed by government agents and the absence of constraints of private liberties and political liberties by the government*".

As noted in the introduction, in terms of their links with the EU, the thirteen countries examined here form a rather heterogeneous group since their links and association to the EU vary significantly. Five are recognized as candidate countries

[7] For a detailed presentation of the methodology used to construct the indices of the V-Dem project see Coppedge *et al*. (2019).

(Albania, Serbia, North Macedonia, Turkey and Montenegro), two as potential candidate countries (Bosnia-Herzegovina and Kosovo) and six are countries of the Eastern Partnership EU policy (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). Except for Turkey that has by far the longest history of association with the EU[8] dating back to the 1963 Ankara Association Agreement, the rest are post-communist countries or state entities that emerged from the collapse of the Soviet Union and the east-European regimes.

Given their diverse historical and political background, it is of no surprise that noteworthy differences are observed in their respective scores in terms of the two indices used here. We start the descriptive presentation with a snapshot of the average *LibDem* and *CivLib* scores during the period under scrutiny: 1990-2018[9]. These are presented in Figure 1 for the *LibDem* index and in Figure 2 for the *CivLib* index. Table 1, offers a summary view of some descriptive statistics for each index that apart from the mean, include the maximum and minimum values during the period examined as well as the standard deviation. This allows an initial observation of the dispersion of each of the two series in each of the thirteen countries examined. For comparison purposes the EU average *LibDem* and *CivLib* score is included in both Figures 1 and 2 as well as in Table 1. A point of clarification is warranted here. During this period, i.e. 1990-2018, the EU has enlarged several times. In order to allow for the effect the accession of new members had on the average value of the two indices, this is calculated as the average of the actual EU members in each specific year.

Table 1: Descriptive statistics of the *LibDem* and *CivLib* indices per country

		Mean	Min	Max	StDev
Candidate countries					
Albania	*LibDem*	0.39	0.07	0.50	0.09
	CivLib	0.81	0.04	0.89	0.16
Serbia	*LibDem*	0.35	0.11	0.54	0.16
	CivLib	0.75	0.53	0.90	0.15
North Macedonia	*LibDem*	0.38	0.26	0.52	0.08

[8] EEC at the time of the Agreement

[9] Data availability differs in the case of four countries. For Montenegro data is available from 1998 onwards, for Bosnia-Herzegovina from 1992, for North Macedonia from 1991 and for Kosovo from 1999 onwards.

	CivLib	0.77	0.67	0.86	0.06
Turkey	*LibDem*	0.41	0.13	0.56	0.11
	CivLib	0.57	0.34	0.77	0.13
Montenegro	*LibDem*	0.38	0.34	0.41	0.02
	CivLib	0.80	0.76	0.82	0.02
Potential candidate countries					
Bosnia &Herzegovina	*LibDem*	0.37	0.06	0.51	0.14
	CivLib	0.78	0.40	0.89	0.17
Kosovo	*LibDem*	0.30	0.15	0.38	0.07
	CivLib	0.73	0.66	0.80	0.04
Eastern Partnership Policy countries					
Armenia	*LibDem*	0.25	0.18	0.38	0.06
	CivLib	0.73	0.61	0.84	0.05
Azerbaijan	*LibDem*	0.08	0.06	0.20	0.03
	CivLib	0.43	0.35	0.62	0.06
Belarus	*LibDem*	0.18	0.09	0.46	0.13
	CivLib	0.59	0.44	0.80	0.09
Georgia	*LibDem*	0.33	0.10	0.56	0.14
	CivLib	0.71	0.43	0.90	0.13
Moldova	*LibDem*	0.42	0.32	0.56	0.07
	CivLib	0.76	0.69	0.85	0.04
Ukraine	*LibDem*	0.30	0.22	0.45	0.07
	CivLib	0.73	0.55	0.85	0.09
EU average	*LibDem*	0.79	0.71	0.82	0.03
	CivLib	0.95	0.91	0.95	0.01

An initial visual inspection of Figures 1 and 2 reveals noteworthy differences both within the group of countries as well as in comparison to the EU's averages. The same general observation applies from the data presented in Table 1. It seems that in terms of both indices all countries' average scores are notably lower than the corresponding EU average: 0.79 for the *LibDem* index and 0.95 for *CivLib* (Table 1). By far the greatest differences are present in the case of the former index (Figure 1). In terms of the *LibDem* index, the candidate country with the highest score is Turkey (0.41) followed by Albania (0.39). Serbia (0.35) in the candidate country with lowest average. From the two potential candidate countries Bosnia-Herzegovina is the one with the highest average *LibDem* score. From the EaP group of countries Georgia has the highest average (0.33) and Azerbaijan the lowest (0.08). In terms of the *CivLib* index, Albania and Montenegro are the two candidate countries with the highest

average score (0.81 and 0.80 respectively). Worth pointing out is that Turkey, the country with the longest association with the EU, is the worst performer in terms of this index among both the candidate and potential candidate countries. In fact, Turkey's average *CivLib* score of 0.57 is the second lowest among all thirteen countries, higher only to Azerbaijan's (0.43).

Figure 1: *LibDem* average score 1990-2018

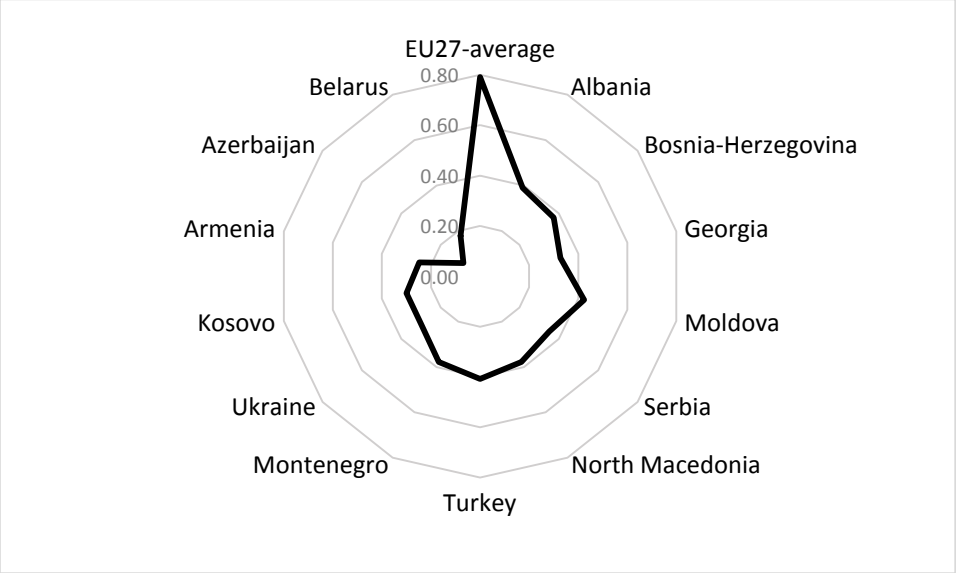
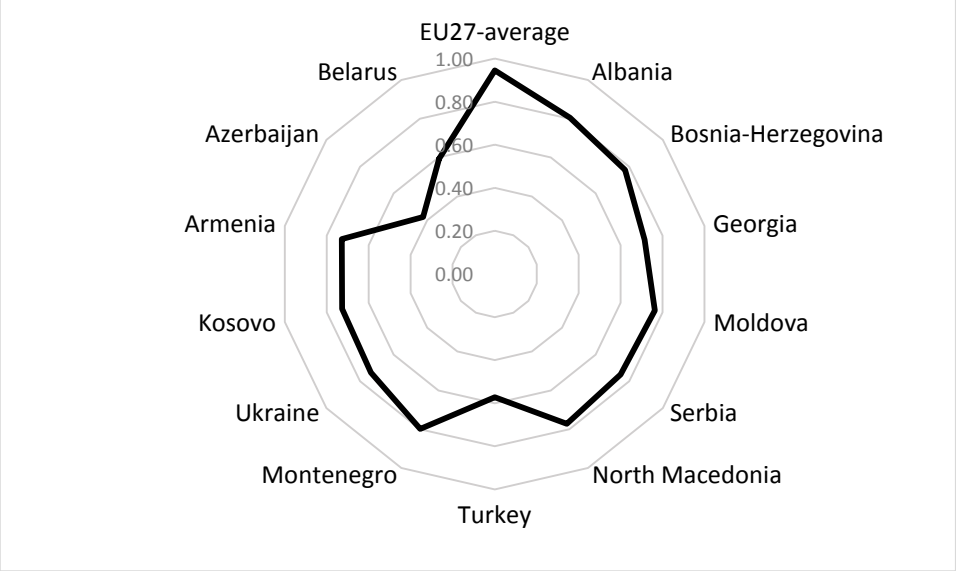


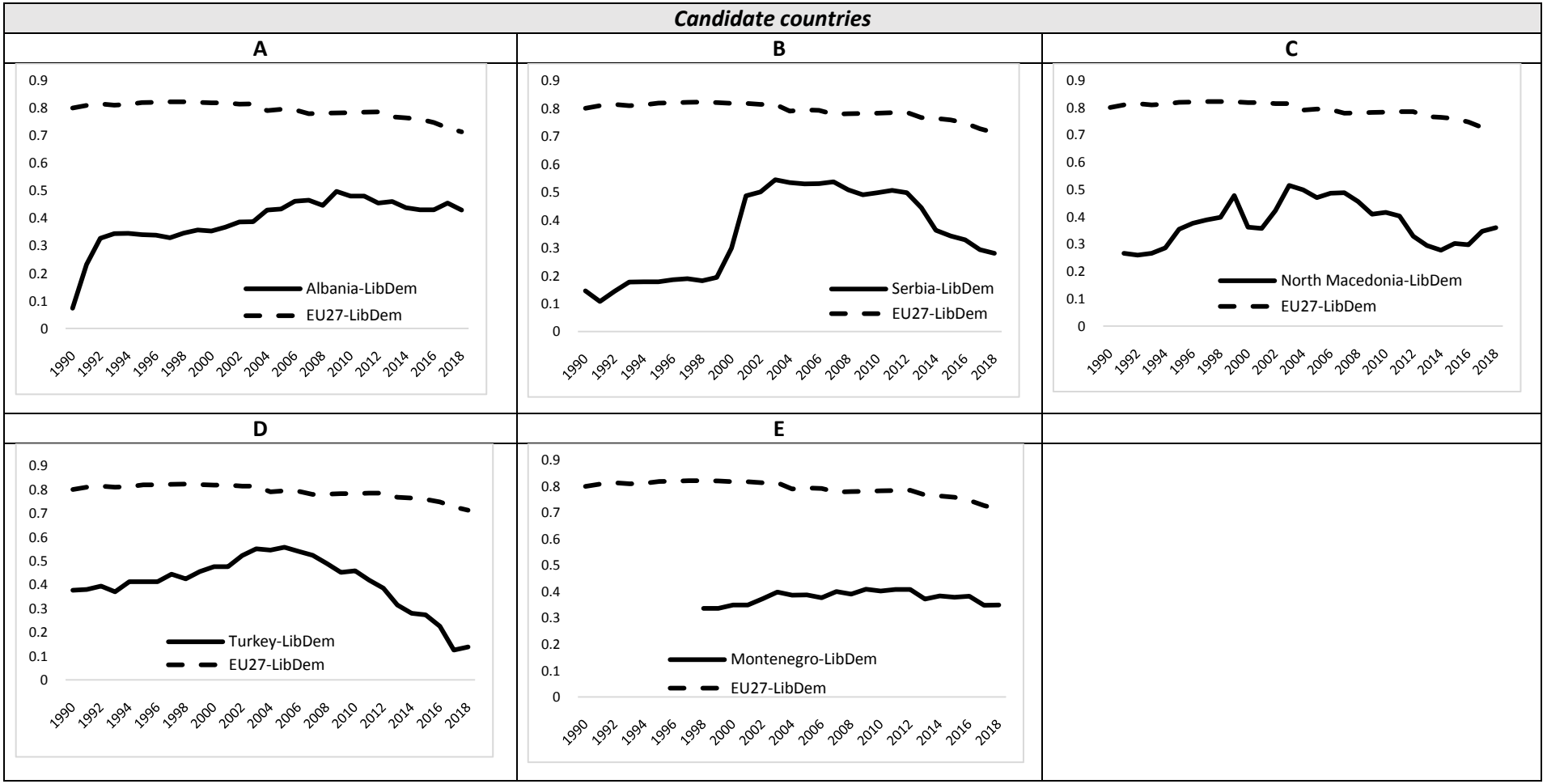
Figure 2: *CivLib* average score 1990-2018

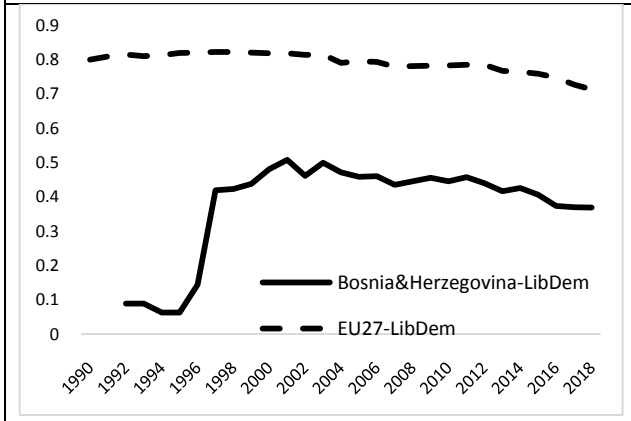
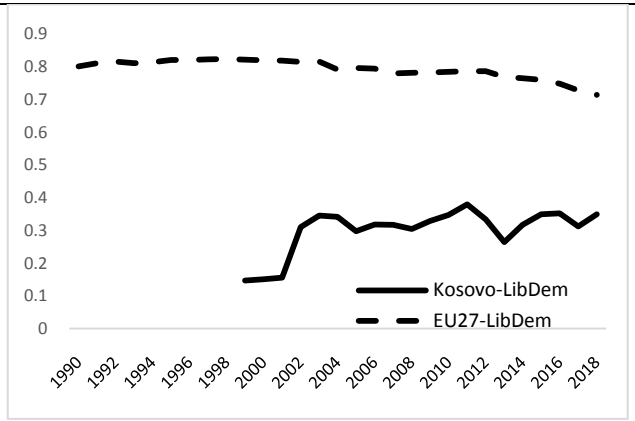
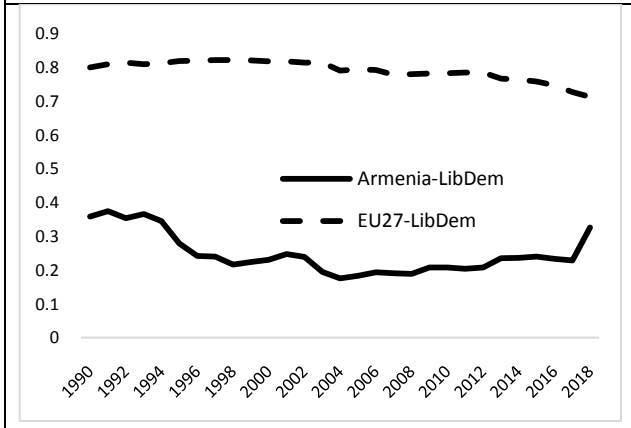
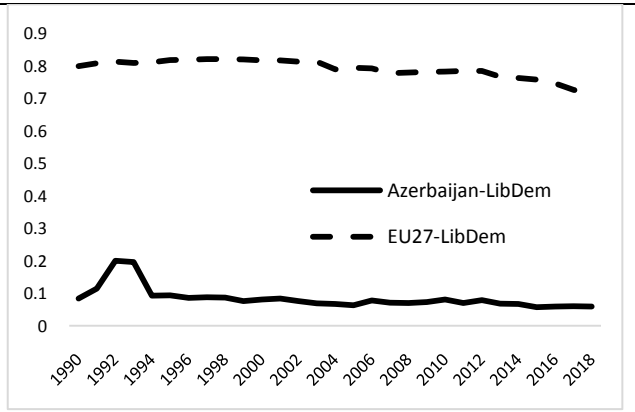
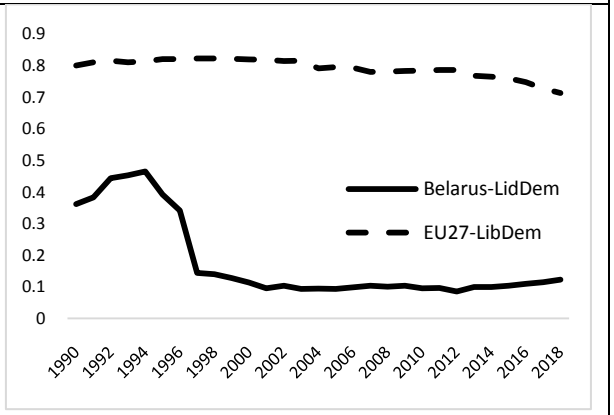


The average scores of the two indices presented in Figures 1 and 2 and the descriptive statistics in Table 1, offer a general but static view of how the thirteen countries compare to the EU in terms of liberal democracy and civil liberties as respectively encapsulated and quantified by the two V-Dem indices. Figures 3 and 4 allow for a more dynamic intertemporal view of how the two indices in each country evolved through time compared to the EU's average. The visual inspection of the two figures verifies that the greater gap between the countries' scores in each of the two indices and the corresponding EU average is recorded in the case of the liberal democracy index. As already noted above, according to the V-Dem project that publishes the two indices used here, the liberal democracy principle includes among others "*constitutionally protected civil liberties, strong rule of law, an independent judiciary, and effective checks and balances that, together, limit the exercise of executive power*" (Coppedge *et al.* 2019; Pemstein *et al*. 2019). Many of the countries examined here are afflicted by authoritarian rule from despotic leaders[10], weak and ineffective institutional check and balances, low judiciary independence from the executive, central control over of the legislative institutions and procedures. Evidently a detailed country-level analysis is needed to explain in a more comprehensive and robust manner each country's difference with the EU averages and the changes and trends observed in the two indices during the period in question.

[10] For instance, Presidents Erdogan in Turkey, Aliyev in Azerbaijan, Lukashenko in Belarus.

Figure 3: The *LibDem* index per country



Potential candidate countries		
F	**G**	
		
Eastern Partnership Policy countries		
H	**I**	**J**
		
K	**L**	**M**

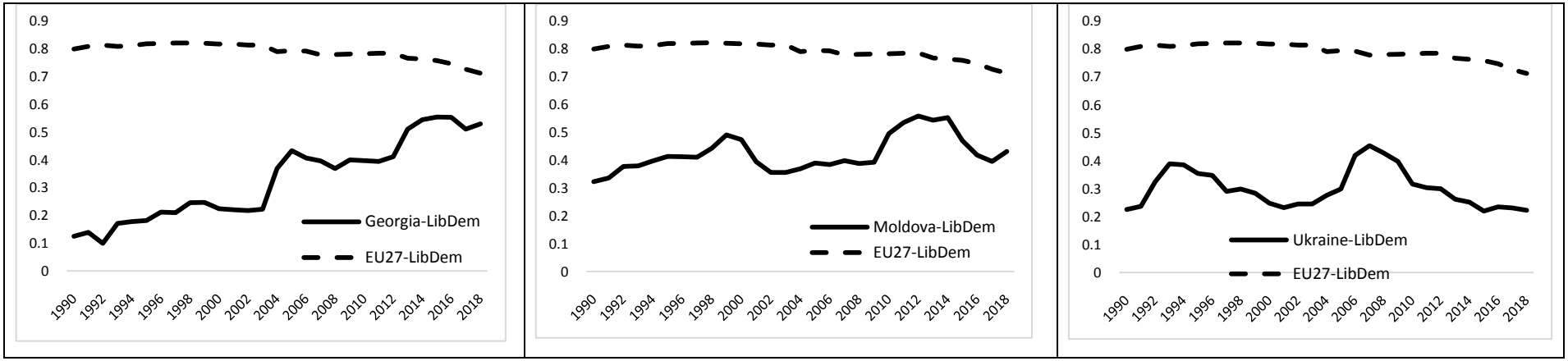
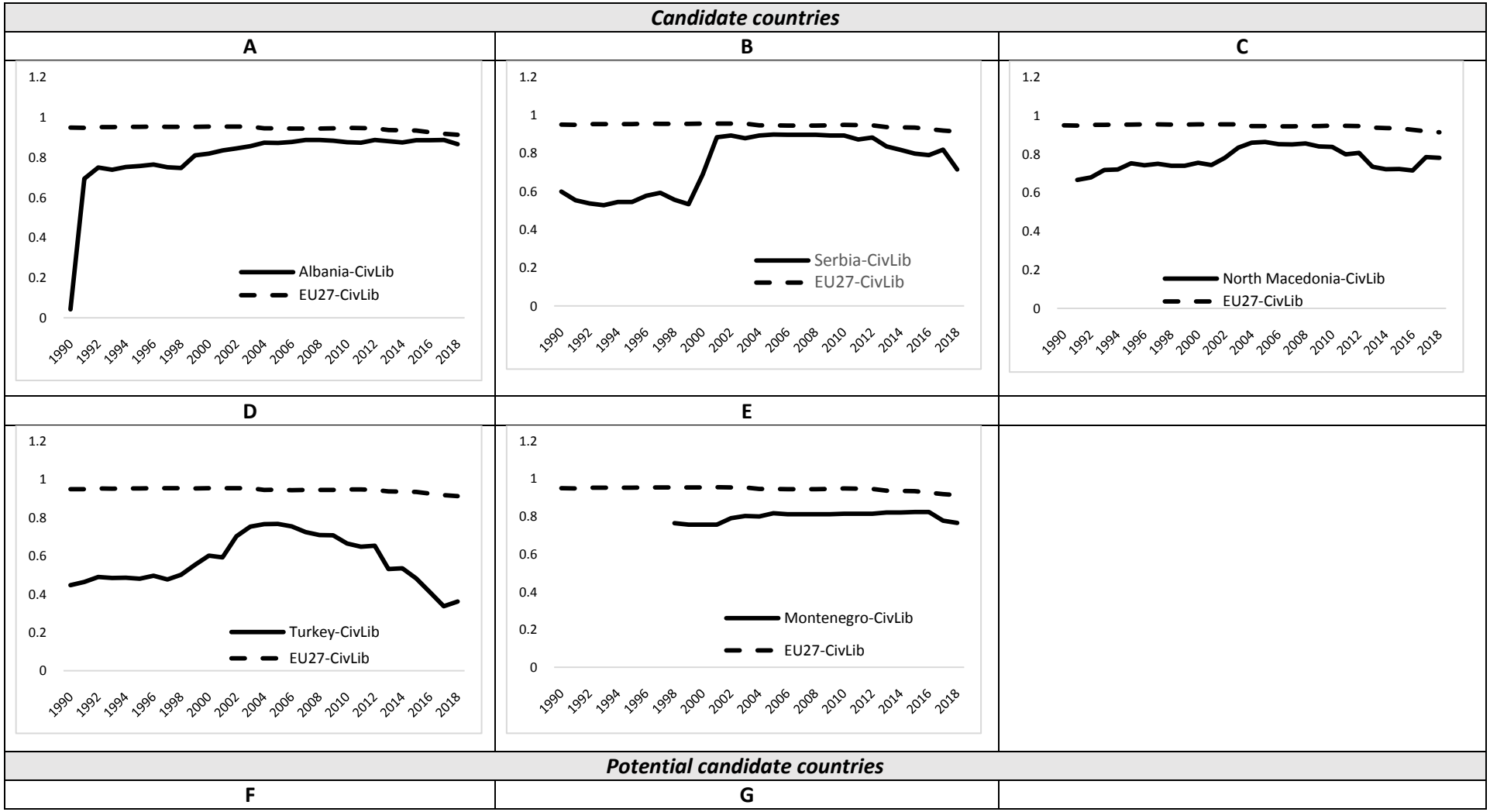
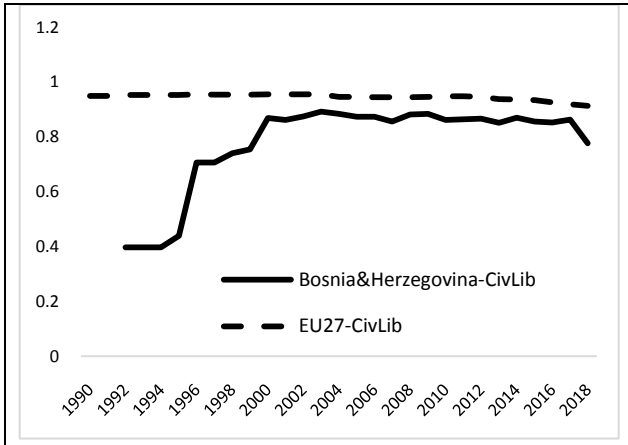
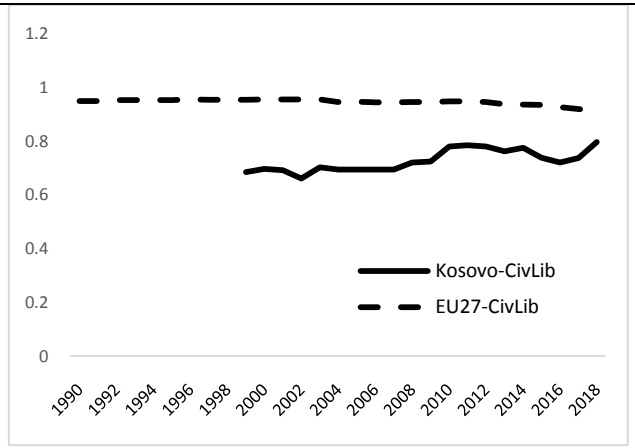

0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
Georgia-LibDem
EU27-LibDem
Moldova-LibDem
EU27-LibDem
Ukraine-LibDem
EU27-LibDem

Figure 4: The *CivLib* index per country

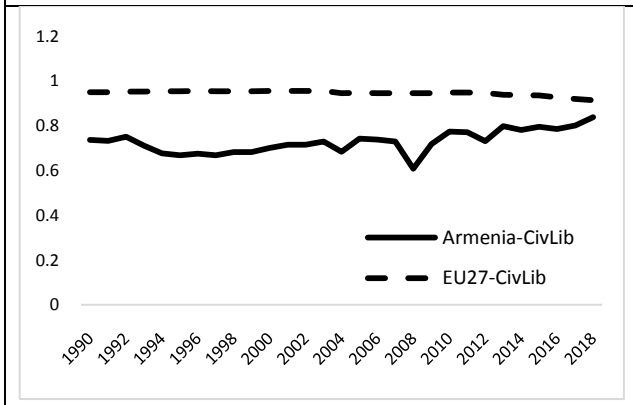






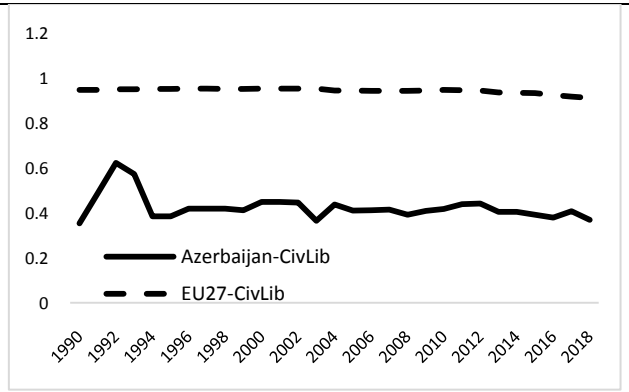
Eastern Partnership Policy countries

H



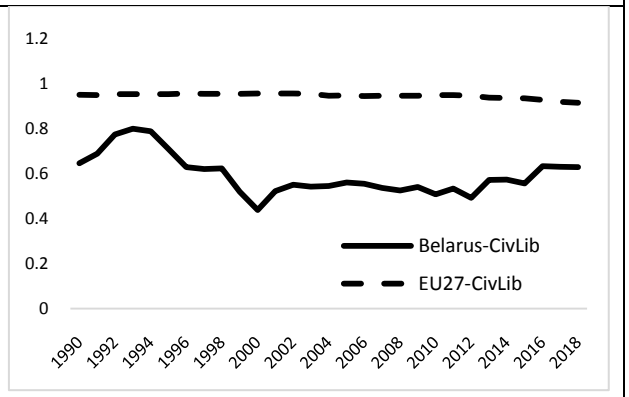
K

I

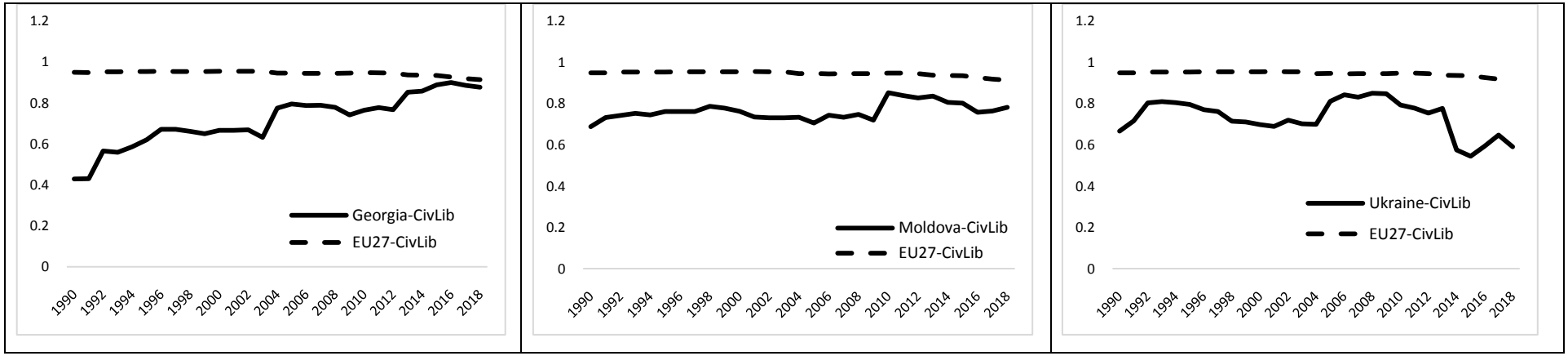


L

J



M


1.2
1
0.8
0.6
0.4
0.2
0
1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018
Georgia-CivLib
EU27-CivLib
Moldova-CivLib
EU27-CivLib
Ukraine-CivLib
EU27-CivLib

A general observation from the visual inspection of Figure 3 is that the notable yearly fluctuations and/or sharp downward reversals in the *LibDem* score could be construed as indicating an inability to maintain the momentum towards enhancing and consolidating liberal democracy and liberal democratic rule. It appears that in recent years for several countries there has been a notable reversal compared to the beginning of the period where noteworthy improvements in the *LibDem* index score are observable. Such cases that stand out among the candidate and potential candidate countries are Serbia, North Macedonia, Turkey and Bosnia-Herzegovina (Figures 3B, 3C, 3D and 3F respectively). The same applies for Ukraine and Moldova (Figures 3M and 3L respectively) of the EaP group of countries while Georgia (Figure 3K) is the country that exhibits an upward but with significant fluctuations trend in terms of the *LibDem* index.

The democratic backsliding in a number of central and east-European countries is attracting increasing attention in the literature (*inter alia*: Bieber, 2018; Cianetti *et al.* 2018; Pavlović, 2019; Gafuri and Muftuler-Bac, 2020; Bochsler and Juon, 2020). Democratic backsliding is also clearly observed in some of the candidate and potential candidate countries as well as countries that participate in EU's Eastern Partnership Policy. A broad general observation that emerges from Figure 3 is that the process of liberal democracy consolidation seems to have been bumpy. Indeed, on many occasions, it was impacted by acute domestic political strife, severe civil unrest and even conflict. Randomly selected examples are the failed 2016 military coup in Turkey, the 2009-10 disputed parliamentary elections in Moldova that led to severe political strife and civil unrest, the so called 2005 *Orange Revolution* in Ukraine sparked by accusations of rigged election results, the 2009-10 protests and campaign of civil disobedience in Albania over alleged vote-rigging in parliamentary elections, the 2003 *Rose Revolution* in Georgia and the South Ossetia and Abkhazia strife and conflict. Delving into the explanatory factors of the observed democratic backsliding in each country as reflected by the *LibDem* values is beyond the scope of the present paper. Nevertheless, as it will be seen in the next section, the democratic reversal is reflected in the results of the unit root tests that are used

to examine empirically the convergence hypothesis in terms of the Copenhagen political criteria.

Turning to the civil liberties index (*CivLib*) presented in Figure 4, a different picture emerges from the visual inspection of the general trends exhibited by the values of this index. As a broad observation, the *CivLib* index annual scores exhibit an almost steady upward trend in most cases and approach the EU average values. The most notable exception to this general trend is Turkey (Figure 4D) where a sharp reversal is recorded just as in the case of the *LibDem* index (Figure 3D). As studies have argued, Turkey's sharp democratic backsliding is attributed to the advent of the AKP party in domestic politics and the increasingly authoritarian rule of President Erdogan (*inter alia*: Waldman and Caliskan, 2017; Öktem and Akkoyunlu, 2016). The strong trend of the de-democratization and de-europeanization of Turkey, as this is reflected by the two indices, raises strong doubts over the country's probability of accession even though Turkey is the state with the longest candidate country status[11]. Indeed, Turkey's democratic backsliding as this is reflected in the two indices used here, is one of the main explanatory factors of the bogged down Turkish candidacy[12] and of the high probability that it will once again be leapfrogged in the accession process. From the other candidate countries, less pronounced but nevertheless identifiable reversals in the *CivLib* scores can also be observed in the case of Serbia and North Macedonia (Figures 4B and 4C). Ukraine, an EaP country also records a notable deterioration in terms of *CivLib* index (Figure 4M).

[11] The candidate country status was awarded to Turkey in 1999

[12] See for instance the recent statement (March 22, 2021) by Josep Borrell (EU's High Representative/Vice-President: *"…the domestic situation in Turkey remains of serious concern, including the threats to close one of the major opposition parties, the HDP, and the withdrawal of Turkey of "the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence"- better known as the Istanbul Convention. You will have seen the statements I issued on these matters expressing our strong concern and condemnation and also the fear that these kind of measures are taking Turkey out of the European path…"*.
https://eeas.europa.eu/headquarters/headquarters-homepage/95458/foreign-affairs-council-remarks-high-representativevice-president-josep-borrell-press_en

3. Empirical methodology and discussion of findings

A variety of different methodologies are available to test convergence hypotheses. They range from *σ* and *β*-convergence to unit root tests. The latter are a tool increasingly used by many empirical studies that examine convergence hypotheses (*inter alia*: Lau *et al* 2016; Chapsa and Katrakilidis, 2014; Beyaert and Camacho, 2008; Dawson and Strazicich, 2010). For our purposes here, we opt to use a battery of such tests in order to investigate whether the thirteen countries under scrutiny here are converging with the EU in terms of the two liberal democracies and civil liberties indices. To this effect, we adopt the methodological strategies of recent studies (Ceylan and Abiyev, 2016; Tsanana and Katrakilidis, 2014; Kollias and Messis, 2020). Specifically, we use an average as the benchmark against which the convergence hypothesis is investigated. The benchmark is the EU average of the two indices used here (*LibDem* and *CivLib*). As explained above, it is calculated using only the countries that were members of the EU in each specific year. Then, we calculate the difference $(y_i - \bar{y})$ between the natural logarithm of the time series of the two indices for each country *i* and the natural logarithm of the benchmark EU average *LibDem* and *CivLib* score. In other words, the deviation of the *LibDem* and *CivLib* index score of each country from the corresponding EU average of each year. Hence, $(y_i - \bar{y})$ demonstrates the difference of the natural logarithm of each of the two series with the benchmark index. Testing for convergence among countries indicates the identification of time series whose means and variances remain constant over time (Evans, 1998). To this effect, four types of conventional unit root tests are employed and are used in conjunction with the previous analysis that relied on the graphical representations of the *LibDem* and *CivLib* scores presented in Figures 3 and 4. At this point, it should be stressed that failure to establish empirically a process of convergence should not be necessarily interpreted as indicating the presence of a significant gap between the thirteen countries and the EU average that serves as the benchmark against which the convergence hypothesis is tested. The unit roots estimated are: a) the Augmented-Dickey Fuller (ADF) test (Dickey and Fuller, 1979); b) the Phillips-Perron (PP) (1988); c) the ADF-GLS test proposed by Elliott *et al*. (1996) with better statistical properties (Lopez *et al*. 2005) and d) the Ng and Perron

(NGP) (1995, 2001) test. A detailed technical presentation of the four tests can be found in Appendix-1.

The results yielded from the estimation of the four unit roots tests outlined above for each of the thirteen countries are presented in Tables 2 and 3 for the *LibDem* and *CivLib* indices respectively where countries are grouped according to their current association to the EU. That is candidate, potential candidate and Eastern Partnership Policy countries. The tests cover the period 1990-2018 except for Bosnia-Herzegovina (1992-2018), Montenegro (1998-2018), North Macedonia (1991-2018) and Kosovo (1999-2018). As one would expect given the variety of the unit tests used and the differences in their respective properties, the results are not uniform across all the tests. Hence, no strong and unequivocal picture emerges. This should not come as a surprise if one recalls the graphical representations of the two indices in Figures 3 and 4. For a number of the countries significant yearly fluctuations were observed while for others strong reversals in the upward trend exhibited by *LibDem* and *CivLib* in the initial years of the period were also the case. Nevertheless, the results in Tables 2 and 3 allow for some tentative inferences in conjunction with the preceding descriptive analysis of the previous section that relied on Figures 3 and 4 and the graphical representation of the *LibDem* and *CivLib* indices presented therein.

Serbia, North Macedonia and Montenegro stand out as the candidate countries for which none of the estimated unit roots reject the null hypothesis. This is the case for both the *LibDem* and *CivLib* indices (Tables 2 and 3 respectively). The average *LibDem* score for Serbia is 0.35 (max: 0.54, min: 0.11), for North Macedonia is 0.38 (max: 0.52, min: 0.26) and for Montenegro 0.38 (max: 0.41, min: 0.34). Similarly, the average score for *CivLib* for Serbia is 0.75 (max: 0.90, min: 0.53), for North Macedonia is 0.77 (max: 0.86, min: 0.67) and for Montenegro 0.80 (max: 0.82, min: 0.76). The corresponding averages for the EU against which the convergence hypothesis is examined are for *LibDem* 0.79 (max: 0.82, min: 0.71) and for *CivLib* 0.95 (max: 0.95, min: 0.91). For the other two candidate countries, the reported findings seem to offer evidence that supports a tentative convergence inference. However, this is not the case across all the unit root findings. For Albania and Turkey three out of the four tests (with or without trend) reject the null hypothesis of no convergence

for the *LibDem* index (Table 2). In the case of the two potential candidate countries, the null is rejected only by the ADF test for Bosnia-Herzegovina while for Kosovo none of the estimated tests rejects the null hypothesis in favour of convergence. The results for the EaP group of countries are mixed. For two countries – Armenia and Belarus – none of the estimated unit roots rejects the null hypothesis. The null is rejected by at least two out of the four tests in the case of Azerbaijan, Georgia, Moldova and Ukraine. Hence, based on these mixed findings it is not possible to draw strong inferences in favour of a convergence process.

Table 2: Unit root test results for the *LibDem* index

Candidate countries

	ADF		DF-GLS		PP		Ng & Perron	
	No trend	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*
Albania	-4.157***	-5.470***	-1.106	-3.070*	-3.562**	-4.813***	-0.030	-1.527
Serbia	-2.031	-1.265	-1.541	-1.635	-1.392	-0.737	-1.152	-1.647
North Macedonia	-1.885	-1.781	-1.443	-1.734	-1.940	-1.860	-1.116	-1.491
Turkey	-2.993**	-0.078	-1.986**	-2.366	-0.456	-0.226	-6.875***	-8.859***
Montenegro	-2.615	-1.882	-1.096	-1.935	-1.853	-1.706	-0.279	-1.485

Potential candidate countries

	ADF		DF-GLS		PP		Ng & Perron	
	No trend	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*
Bosnia & Herzegovina	*-20.33****	*-3.909***	*-0.149*	*-2.329*	*-2.104*	*-1.463*	*0.602*	*-0.550*
Kosovo	*-2.024*	*-3.130*	*-1.374*	*-2.322*	*-2.361*	*-2.243*	*-0.527*	*-1.635*

Eastern Partnership Policy countries

	ADF		DF-GLS		PP		Ng & Perron	
	No trend	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*
Armenia	*-0.641*	*0.337*	*-0.711*	*-0.430*	*-0.973*	*2.045*	*-0.536*	*-0.103*
Azerbaijan	*-1.962*	*-1.941*	*-2.032***	*-2.111*	*-2.122*	*-1.905*	*-1.742**	*-1.817*
Belarus	*-1.491*	*-0.665*	*-1.110*	*-2.398*	*-1.605*	*-0.665*	*-0.850*	*-3.004***
Georgia	*-0.224*	*-3.282**	*0.153*	*-3.191***	*0.249*	*-2.524*	*0.504*	*-2.939***
Moldova	*-1.905*	*-3.109*	*-1.540*	*-3.222***	*-1.493*	*-2.171*	*-1.662**	*-3.176***
Ukraine	*-2.933**	*-2.981*	*-2.656****	*-3.144**	*-2.269*	*-2.176*	*-2.589****	*-4.322****

***,**,* indicate 1%, 5% and 10% levels of significance. All variables are in levels.

Table 3: Unit root test results for the *CivLib* index

Candidate countries

	ADF		DF-GLS		PP		Ng & Perron	
	No trend	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*
Albania	-12.63***	-2.669	-1.929**	-1.777	-7.990***	-14.87***	-0.875	0.241
Serbia	-1.184	-0.224	-1.555	-1.564	-1.278	-0.992	-1.364	-2.006
North Macedonia	-1.907	-2.465	-1.443	-1.235	-1.982	-1.809	-0.819	-1.294
Turkey	-2.501	-0.042	-0.681	-2.573	-1.215	-0.273	-0.572	-2.699*
Montenegro	-1.664	-0.741	-1.343	-1.229	-1.664	-0.741	-0.939	-1.078

Potential candidate countries

	ADF		DF-GLS		PP		Ng & Perron	
	No trend	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*
Bosnia & Herzegovina	-2.615	-9.206***	-1.331	-1.279	-2.973*	-0.897	0.015	-0.867
Kosovo	*-0.442*	*-3.485**	*-0.483*	*-2.543*	*-0.360*	*-2.391*	*-0.214*	*-1.832*

Eastern Partnership Policy countries

	ADF		DF-GLS		PP		Ng & Perron	
	No trend	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*	*No trend*	*Trend*
Armenia	0.828	-2.741	-1.318	-2.741	-1.076	-2.288	-1.215	-1.959
Azerbaijan	-3.561**	-3.981**	-3.072***	-3.661**	-3.603**	-4.009**	-2.254**	-2.353
Belarus	-1.410	-1.154	-1.415	-1.366	-1.547	-1.342	-1.321	-1.282
Georgia	-1.700	-3.267*	-0.523	-3.034*	-1.716	-3.226*	0.163	-2.142
Moldova	-2.315	-2.791	-1.786*	-2.805	-2.285	-2.855	-1.377	-2.169
Ukraine	-1.735	-2.087	-1.678*	-2.027	-1.919	-2.192	-1.497	-1.618

***,**,* indicate 1%, 5% and 10% levels of significance. All variables are in levels.

The results for the *CivLib* index are overall weaker (Table 3). Fewer tests reject the null hypothesis in favour of convergence. A noteworthy exception among the candidate countries is Albania where, just as in the case of the *LibDem* index, three out of the four-unit root tests (ADF, DF-GLS and PP) point to convergence in terms of civil liberties as quantified by the *CivLib* index (Table 3). Noteworthy is the fact that in the case of Turkey, that is the longest standing candidate country, the null hypothesis of no convergence is rejected only by one of the reported findings (Ng and Perron). As already pointed out, Turkey's democratic backsliding is a major source of concern to the EU and an important impediment to its candidacy. As noted above, this was stressed in the recent statement by the EU's High Representative. Also scant are the results in the case of the potential candidate countries. The null is rejected only by one of the four unit root tests in the case of Kosovo and by two in the case of Bosnia-Herzegovina. Finally, noteworthy is that among the EaP countries, the null of no convergence is rejected by all four unit root tests only for Azerbaijan.

On the basis of the *CivLib* findings reported in Table 3, an overarching tentative inference is that convergence with the EU is less evident in the case of civil liberties defined by the V-dem project as "*the absence of physical violence committed by government agents and the absence of constraints of private liberties and political liberties by the government*" (Coppedge *et al.* 2019; Pemstein *et al*. 2019). Recalling the trends and the variation exhibited by the indices in Figures 3 and 4, the mixture of findings of the estimated unit root tests is of no surprise. In the case of many of the thirteen countries, both the *LibDem* and *CivLib* exhibit both a reversal trend in recent years, suggesting democratic backsliding, and significant yearly fluctuations that indicate a weakness to maintain the momentum towards greater democratic rule and civil liberties. In view of this, as the next step in the empirical analysis it was decided to allow for the presence of structural breaks in the two timeseries.

A number of unit root tests that allow for the presence of a structural break in the timeseries is available (Perron, 1989; Perron and Vogelsang, 1992; Zivot and Andrews, 1992). As it has been shown, if a structural break is present in the series the estimations and the results are affected and therefore the concomitant inferences are not reliable. The unit root test with a structural break suggested by

Perron (1989) assumes the break date to be known ex ante. However, as pointed out by Perron and Vogelsang (1992) this could lead to an over rejection of the unit root hypothesis. Zivot and Andrews (ZA) (1992) extend Perron's (1989) test and propose an estimation procedure for a unit root test where the structural break point in the series is determined endogenously. In brief, the ZA test is a sequential test which utilizes a different dummy variable for each possible break date. The test allows for three alternative models that test for structural breaks. Model A permits a break only in the intercept, model B allows for break in the slope of the trend function and Model C combines the possibility of a change both in the intercept as well as in trend. The corresponding results for each of the three models (presented in more technical detail in Appendix-2) are reported in Tables 4 and 5 for *LibDem* and *CivLib* respectively.

Table 4: ZA unit root test with one structural break for the *LibDem* index

Candidate countries

	Model A			***Model B***			***Model C***		
	t-stat	*Lags*	*Break*	*t-stat*	*Lags*	*Break*	*t-stat*	*Lags*	*Break*
Albania	-4.411	2	2003	-3.533	2	2009	-4.357	2	2002
Serbia	-5.299**	1	1999	-2.970	1	2006	-5.323**	1	1999
North Macedonia	-3.107	0	2008	-2.611	0	2003	-2.727	0	2001
Turkey	-1.775	0	1998	-4.908**	0	2006	-4.274	0	2001
Montenegro	-3.575	0	2002	-4.517**	0	2004	-4.194	0	2006

Potential candidate countries

	Model A			***Model B***			***Model C***		
	t-stat	*Lags*	*Break*	*t-stat*	*Lags*	*Break*	*t-stat*	*Lags*	*Break*
Bosnia & Herzegovina	-10.78***	0	1996	-4.940***	0	1997	-10.88***	0	1996
Kosovo	-2.961	0	2011	-4.635**	0	2002	-3.933	0	2004

Eastern Partnership Policy countries

	Model A			***Model B***			***Model C***		
	t-stat	*Lags*	*Break*	*t-stat*	*Lags*	*Break*	*t-stat*	*Lags*	*Break*
Armenia	-0.431	0	2012	-1.308	0	2003	-1.282	0	2003
Azerbaijan	-3.104	0	1995	-4.556**	0	1997	-4.241	0	1998
Belarus	-5.596***	2	1999	-6.793***	2	1997	-9.216**	2	1996
Georgia	-3.759	0	2003	-2.975	0	2000	-4.087	0	2003
Moldova	-5.353***	1	2009	-3.707	1	2005	-5.202**	1	2009
Ukraine	-5.832***	1	2005	-3.017	1	1999	-6.201***	1	2005

***,**,* indicate 1%, 5% and 10% levels of significance. All variables are in levels. Critical values (c.v.) are as in Zivot and Andrews (1992). Model's A c.v. are -5.34, -4.80, -4.58 for the 1%, 5% and 10% significant level respectively. Model's B c.v. are -4.93, -4.42 and -4.11. Model's C c.v. are -5.57, -5.08 and -4.82.

Table 5: ZA unit root test with one structural break for the *CivLib* index

Candidate countries

	Model A			***Model B***			***Model C***		
	t-stat	*Lags*	*Break*	*t-stat*	*Lags*	*Break*	*t-stat*	*Lags*	*Break*
Albania	-44.21***	0	1998	-38.41***	0	2006	-38.76***	0	2008
Serbia	-6.008***	0	1999	-3.106	0	2005	-6.025***	0	1999
North Macedonia	-3.972	2	2012	-3.780	2	2008	-3.922	2	2002
Turkey	-2.052	0	1998	-3.312	0	2005	-4.782	0	2001
Montenegro	-1.707	0	2002	-2.588	0	2005	-2.304	0	2005

Potential candidate countries

	Model A			***Model B***			***Model C***		
	t-stat	*Lags*	*Break*	*t-stat*	*Lags*	*Break*	*t-stat*	*Lags*	*Break*
Bosnia & Herzegovina	-1.428	0	1999	-5.287***	0	2000	-5.098**	0	1999
Kosovo	-2.929	0	2009	-2.388	0	2002	-3.098	0	2009

Eastern Partnership Policy countries

	Model A			***Model B***			***Model C***		
	t-stat	*Lags*	*Break*	*t-stat*	*Lags*	*Break*	*t-stat*	*Lags*	*Break*
Armenia	-3.706	0	2012	-4.226*	0	2008	-4.391	0	2007
Azerbaijan	-5.863***	1	1996	-9.718***	1	1996	-9.643***	1	1996
Belarus	-3.274	0	1995	-4.055	0	2000	-3.893	0	1998
Georgia	-3.588	0	2007	-3.274	0	1995	-3.567	0	2008
Moldova	-6.872***	0	2009	-3.380	0	2004	-7.610***	0	2009
Ukraine	-3.840	0	2013	-2.710	0	2008	-4.556	0	2004

***,**,* indicate 1%, 5% and 10% levels of significance. All variables are in levels. Critical values (c.v.) are as in Zivot and Andrews (1992). Model's A c.v. are -5.34, -4.80, -4.58 for the 1%, 5% and 10% significant level respectively. Model's B c.v. are -4.93, -4.42 and -4.11. Model's C c.v. are -5.57, -5.08 and -4.82.

Just as in the case of the results reported earlier in Tables 2 and 3, the findings of the ZA unit root that allows for a structural break in the *LibDem* and *CivLib* indices are mixed and do not offer an unequivocal picture that is valid across all ten countries. Once again, in broad terms, the evidence in favor of a convergence process seems to be mixed and rather scant. Among the candidate countries, the null is rejected in favour of convergence by two of the three estimated models in the case of Serbia for both the *LibDem* and *CivLib* indices (Tables 4 and 5 respectively). In all cases the results identify 1999 as the year of the break in the series. This broadly coincides with the NATO air strikes against the Serbia and the 2000 political strife and civil uprising that led to the resignation of the country's notorious President Slobodan Milosevic. For the rest of the candidate countries the *LibDem* results of the ZA test are appreciably weaker since the null of no convergence is rejected only by Model B in the case of Turkey and Montenegro, and by none of the models in the case of Albania and North Macedonia. Given Turkey's turbulent political history (Waldman and Caliskan, 2017) the year for which the break point in the *LibDem* series is identified - 2006 – could be tentatively associated with the 2007 secularist protests against the presidential candidacy of then Prime Minister Erdogan because of his Islamist leanings and background. In the case of Montenegro, a tentative explanation of the break year -2004 - could be the beginning of the political process towards national independence that eventually brought to an end of the Serbia-Montenegro Union in 2006.

Turning to the two potential candidate countries, in the case of Bosnia-Herzegovina the *LibDem* index the results of all three models point to a process of convergence since the null hypothesis is rejected in all cases. The years identified by the ZA unit root test as the break date in the series (Table 4) are just after the 1995 Dayton peace accord that ended the armed confrontation between Serbs, Muslims and Croats. In the case of Kosovo only one of the three models rejects the null in favour of convergence. The test identifies 2002 as the year when the break in the series occurs. This could be tentatively associated with the first elections in the Kosovo Assembly to elect Kosovo's President and Prime Minister that took place in 2001. Also heterogeneous are the results for the EaP countries (Table 4). Only in the case of Belarus all three models reject the null of no convergence while neither of

the three models rejects the null hypothesis in the case of Armenia and Georgia. The results of Models A and C reject the null in favour of convergence in the case of Moldova and the Ukraine. For Moldova 2009 is identified as the break year. It coincides with the significant domestic political strife that occurred in 2009-10. It included violent protests and over the disputed elections in that year and the political deadlock that ensued as the outcome of the discord over the presidency between the political parties. Domestic political strife and civil unrest can also be cited as the explanatory factors of the year - 2005 - identified as the break point in the case of Ukraine. It coincides with the Orange Revolution and the protests associated with accusations of rigged election results that sparked it.

Turning to the *CivLib* index results reported in Table 5, a broad observation is that on the whole the ZA unit root findings are, in comparative terms, even less supportive of a convergence process with the EU. In seven out of the thirteen countries none of the three models reject the null hypothesis of no convergence. This is the case for three candidate countries – North Macedonia, Turkey and Montenegro – where none of the models suggest convergence. The same applies for Kosovo, a potential candidate country, and for Belarus, Georgia and Ukraine from the Eastern Partnership group of countries. For the candidate countries, the break year identified by Models A & C in the case of Serbia coincides with the one identified in the case of the *LibDem* results reported in Table 4. In the case of Albania, unlike the findings for the *LibDem* index where none of the results suggested a process of convergence, all three models point to such a process for the *CivLib* index. However, the break year identified by the models differs (Model A: 1998, B: 2006, C: 2008). From the Eastern Partnership group of countries, 1996 is identified as the break year in the case of Azerbaijan (Table 5). It can be tentatively associated with the 1995 first multi-party elections and the approval of a new constitution via a referendum. Finally, the break year in the case of Moldova (i.e. 2009) coincides with that identified for the *LidDem* series (Table 4).

Concluding remarks

In the 1993 Copenhagen criteria, the political conditionalities for EU accession require "*stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities*". Using two indices - the *Liberal democracy* and the *Civil liberties* - published by the V-Dem project (Coppedge *et al*. 2019; Pemstein *et al*. 2019), this paper set-out to examine the presence of convergence for the candidate, potential candidate and the Eastern Partnership Policy group of countries. To the best of our knowledge, this is an issue that has not been addressed before using the *LibDem* and *CivLib* indices.

The appealing prospect of EU membership has proved to be a successful means of inducing third countries to adapt and implement the acquis communautaire (Lavenex, 2008). As has been stressed in the relevant convergence literature, converging during the pre-accession phase facilitates the process of integration of a candidate or potential candidate country when membership is eventually achieved. This is particularly important when it comes to the political conditionalities for effective democracy and rule of law in the political processes and institutional functioning of the candidate states. In any case it should be mentioned that given the current enlargement fatigue of the EU and the considerable legitimacy challenges it faces (De Angelis 2017), an accession decision for the candidate and even more so for the potential candidate does not seem to be imminent. In any case, it will also be greatly influenced by broader geopolitical and strategic considerations.

In addition to the current five candidate and two potential candidate countries, we opted to include in the empirical analysis the six countries of EU's Eastern Partnership Policy. In the context of external governance proposed by Lavenex (2004), this policy can be viewed as a promotor of EU norms and policies to countries currently below the candidate or potential candidate threshold (Lavenex and Schimmelfennig, 2009; Lavenex, 2008).

To examine the convergence hypothesis, we adopted the methodological approach of Ceylan and Abiyev (2016) and Tsanana and Katrakilidis (2014). Both the descriptive analysis as well as the findings from unit root tests employed to

investigate the convergence hypothesis revealed a mixed and heterogenous picture. The results and the concomitant inferences are of course sensitive to the tests adopted to investigate the presence of convergence. For some of the thirteen countries the presence of such a process is the inference that emerges from the findings, while for others the results do not point to a process of convergence vis-à-vis the EU's acquis.

As recent studies have shown, many Central and East-European countries as well as Turkey have experienced a noteworthy and alarming democratic rollback as well as an inability to consolidate democratic rule (*inter alia*: Pavlović, 2019; Bochsler and Juon, 2020; Castaldo and Pinna, 2018). The mixed findings from the unit root tests reflect both the recent democratic backsliding as well as the dispersion and yearly fluctuations that the two indices (*LibDem* and *CivLib*) exhibit. Evidently, a detailed country-level analysis emerges as the obvious next step for further research into the issue. Country-level analysis can offer more comprehensive and robust insights into the underlying dynamics that drive the changes and trends observed in the two indices.

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Appendices

Appendix-1

As pointed out in the main text, the first unit root test used in the empirical analysis is the Augmented-Dickey Fuller (ADF) test (Dickey and Fuller, 1979). Even though it has been criticized for failing to allow for structural breaks (Perron, 1989), it is still widely used in empirical studies. This specific test is based on the following regressions (Narayan and Smyth, 2005):

$$\Delta y_{i,t} = a_i + \rho_i y_{i,t-1} + \sum_{j=1}^{p_i-1} \delta_{i,j} \Delta y_{i,t-j} + e_{i,t} \quad (1)$$

$$\Delta y_{i,t} = a_i + \beta_i t + \rho_i y_{i,t-1} + \sum_{j=1}^{p_i-1} \delta_{i,j} \Delta y_{i,t-j} + e_{i,t} \quad (2)$$

where $y_{i,t}$ refers to the deviation of the *LibDem* or the *CivLib* index for each *i*-th country of the thirteen in the sample from the EU average at time *t* and $\Delta y_{i,t-j}$ is the lagged first differences. Equation (1) allows for an intercept in the data generating process while equation (2) contains both an intercept and a time trend. The inference is based on the usual Dickey-Fuller *t*-statistic of *ρ*. Hence, in both equations the null and the alternative hypotheses for a unit root in $y_{i,t}$ are: *Ho ρ=0* and *H1 ρ<0*. The Schwarz information criterion has been used to determine the lag length parameter p_i.

The second unit root test used is the Phillips-Perron (PP) (1988). As noted by Arltova and Fedorova (2016) it is widely considered as the most common alternative to the ADF test. The PP test is also based on equations (1) and (2) without using the lagged differences (Narayan and Smyth, 2005) for correcting higher order serial correlation in residuals as the ADF test does. Hence, the PP's test statistics can be viewed as Dickey-Fuller test statistics that have been made robust to serial

correlation by using the Newey-West (1987) suggestion. Then the test statistics Z for a model with a constant are as follows (Hamilton, 1994):

$$Z_\rho = \mathrm{T}(\hat{\rho}_\mathrm{T} - 1) - \frac{1}{2}\left(\frac{\mathrm{T}^2 \cdot s^2_{\hat{\rho}\mathrm{T}}}{s_T^2}\right) \cdot (\hat{\lambda}^2_\mathrm{T} - \hat{\gamma}_{0,\mathrm{T}}) \tag{3}$$

and

$$Z_T = \left(\frac{\hat{\gamma}_{0,\mathrm{T}}}{\hat{\lambda}^2_\mathrm{T}}\right) \cdot \left(\frac{\hat{\rho}_\mathrm{T} - 1}{s_{\hat{\rho}\mathrm{T}}}\right) - \frac{1}{2} \cdot (\hat{\lambda}^2_\mathrm{T} - \hat{\gamma}_{0,\mathrm{T}}) \cdot \frac{1}{\hat{\lambda}_\mathrm{T}} \cdot \left(\frac{T \cdot s_{\hat{\rho}\mathrm{T}}}{s_T}\right) \tag{4}$$

where $\hat{\gamma}_{j,T} = T^{-1} \sum_{t=j+1}^{T} \hat{e}_t \hat{e}_{t-j}$, $\hat{e}_t$ are the residuals coming from the OLS regression of the model $y_t = \alpha + \rho y_{t-1} + e_t$,which constitutes one form of the Dickey-Fuller (DF) (1979, 1981) test for unit root, $\hat{\lambda}^2_\mathrm{T} = \hat{\gamma}_{0,\mathrm{T}} + 2 \cdot \sum_{j=1}^{q} (1 - \frac{j}{q+1}) \cdot \hat{\gamma}_{\mathrm{j,T}}$ with *q* being the lag truncation parameter, $s_T^2 = (T-k)^{-1} \sum_{t=1}^{T} \hat{e}_T^2$ with *k* equals to the number of estimated model's parameters and $s_{\hat{\rho}\mathrm{T}}$ is the standard error for $\hat{\rho}$. If the residuals are not autocorrelated then $\hat{\gamma}_{j,T} = 0$ for positive j, and $\hat{\lambda}^2_\mathrm{T} = \hat{\gamma}_{0,\mathrm{T}}$. In that case, as Arltova and Fedorova (2016) observe, the limiting distribution of the test statistics *t* is not dependent on autoregressive parameters of e_t process and the test statistics Z are reduced to the Dickey-Fuller test statistic (i.e. $t_{DF} \equiv \left(\frac{\hat{\rho}_\mathrm{T} - 1}{s_{\hat{\rho}\mathrm{T}}}\right)$).

Even though the two aforementioned tests constitute common practice in determining whether a series possesses a unit root, Elliott *et al*. (ERS) (1996) propose an efficient test the ADF-GLS test with better statistical properties (Lopez *et al*. 2005). This test comprises a modification of the DF test using the generalized least squares (GLS) method and it is based on the *t* statistic that tests the null hypothesis that *ρ=0* against the alternative of stationarity ρ<0, in the following auxiliary regression:

$$\Delta y_t^d = \rho y_{t-1}^d + \sum_{j=1}^{p} \delta_j \Delta y_{t-j}^d + e_t \quad (5)$$

where y_t^d is the GLS detrended version of the original series y_t. That is:

$$y_t^d = y_t - \hat{\beta}_0 - \hat{\beta}_1 t\,. \quad (6)$$

The coefficients $\hat{\beta}_0$ and $\hat{\beta}_1$ come through an OLS regression of $\bar{y}$ on $\bar{z}$ where:

$$\bar{y} = [\mathrm{y}_1, (1-\bar{\zeta}L)y_2, ..., (1-\bar{\zeta}L)y_T] \quad (7)$$

and $\bar{z} = [\mathrm{z}_1, (1-\bar{\zeta}L)\mathrm{z}_2, ..., (1-\bar{\zeta}L)\mathrm{z}_T]$ (8)

In the above expressions, L is the lag operator, $\mathrm{z}_T = (1, t)$ and $\bar{\zeta} = 1 + \frac{\bar{c}}{T}$ with $\bar{c} = -13.5$ for the detrended statistic. For the case in which trend term *t* is omitted from z_T (i.e. demeaned case), then $\bar{c} = -7$. Finally, the fourth unit root test used is the Ng and Perron (NGP) (1995, 2001) test. The NGP test makes use the ADF-GLS detrending method of ERS described above in order to create efficient versions of the modified PP tests of Perron and Ng (1996). The test uses modified test statistics *Z* from the PP test into form (Arltova and Fedorova, 2016):

$$\overline{\mathrm{MZ}}_\rho = (\mathrm{T}^{-1} y_t^d - f)/2k \quad (9)$$

$$\overline{\mathrm{MSB}} = (k/f)^{1/2} \quad (10)$$

$$\overline{\mathrm{MZ}}_t = \overline{\mathrm{MZ}}_\rho \cdot \overline{\mathrm{MSB}} \quad (11)$$

$$\overline{MPT} = \begin{cases} (\bar{c}^2 k - \bar{c} T^{-1} y_t^d)/f, & if\ w_t = \{1\} \\ (\bar{c}^2 k + (1-\bar{c}) T^{-1} y_t^d)/f, & if\ w_t = \{1, t\} \end{cases} \quad (12)$$

In the above expressions $k = \sum_{t=2}^{T} (y_{t-1}^d)^2 / T^2$ and $f = \left(\sum_{t=p+1}^{T} e_t^2 \right) \left((T-k)(1 - \sum_{i=1}^{p} \hat{\beta}_i)^2 \right)^{-1}$.

Appendix-2

The regressions for each of the three estimated Models that allow for a structural break in the series are as follows:

Model A

$$y_{i,t} = a_i + \theta_i DU_{i,t}(T_b) + \beta_i t + \rho_i y_{t-1} + \sum_{j=1}^{k} c_{i,j} \Delta y_{i,t-j} + e_{i,t} \quad (13)$$

Model B

$$y_{i,t} = a_i + \gamma_i DT_{i,t}(T_b) + \beta_i t + \rho_i y_{t-1} + \sum_{j=1}^{k} c_{i,j} \Delta y_{i,t-j} + e_{i,t} \quad (14)$$

Model C

$$y_{i,t} = a_i + \theta_i DU_{i,t}(T_b) + \gamma_i DT_{i,t}(T_b) + \beta_i t + \rho_i y_{t-1} + \sum_{j=1}^{k} c_{i,j} \Delta y_{i,t-j} + e_{i,t} \quad (15)$$

where $DU_{i,t}$ and $DT_{i,t}$ are dummy variables capturing a break in the intercept and in the trend respectively for each country *i*. The dummy variable $DU_{i,t} = 1$ if $t > T_b$ and zero otherwise, while for the second dummy holds that $DT_{i,t} = t - T_b$ if $t > T_b$ and zero otherwise. T_b denotes the break date. It is chosen so as to minimize the one-sided *t*-statistic for testing $\rho = 1$ in the above equation. The null hypothesis is rejected if the coefficient is statistically significant. As pointed out by Altinay (2005), there is no formal criterion for choosing between the three models. In view of this, we chose to estimate all three models. As has been shown, the choice of the lag length (*k*) is important for all unit root tests with structural breaks. Several authors suggest the adoption of a general to specific procedure for lag length selection (Perron, 1989; Zivot and Andrews, 1992, Lee and Strazicich, 2003). We opted to follow this suggestion.