

# **New Zealand's Relations with Post-Communist Central and Eastern European countries since their accession to the European Union**

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## LIST OF ACRONYMS AND ABBREVIATIONS

CEE	Central and Eastern Europe
CEECs	Central and Eastern Europe Countries
CAP	Common Agricultural Policy
ECE	East-Central Europe
EXGO	Exports Guarantee Act
EU	European Union
Eurostat	European Statistical Office
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFC	Global Financial Crisis
G24	Group of 24
MFAT	Ministry of Foreign Affairs and Trade
NCRE	National Centre for Research on Europe
NZ	New Zealand
NZ\$	New Zealand Dollar
OECD	Organisation for Economic Co-operation and Development
SEE	South-Eastern Europe
Stats NZ	Statistics New Zealand
UNSC	United Nations Security Council
UNWTO	World Tourism Organisation
UK	United Kingdom
V4	Visegrád Group

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## ABSTRACT

New Zealand's relations with the Central and Eastern European Countries (CEECs) have, for the most part, always been limited. Despite some improvement throughout the latter half of the 20<sup>th</sup> century, as New Zealand tried to diversify their European connections, the level of relations, primarily economic, only improved marginally. In 2004, the European Union saw the accession of eight post-communist CEECs, with three more joining in 2007 and 2013. This raised the question as whether there would be intensification in relations with New Zealand as a result of the CEECs joining a multilateral organisation such as the EU? Using a mixed method approach, examining both qualitative and quantitative sources, this thesis aims to assess the impact of CEECs' accession to the European Union on their relations with New Zealand. This will be achieved by analysing the changes in political, social, and economic relations since the Eastern enlargement. Conducted analysis will utilise constructivism and rationalism theories to aid in explaining any changes.

## CHAPTER 1: INTRODUCTION

In 2004, the European Union (EU) saw its largest expansion in membership, with 10 countries (Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia) joining the European entity that is the EU. These countries that joined largely consisted of former communist states in Central and Eastern Europe (CEE), with the exceptions of Malta and Cyprus, who are geographically located in the Mediterranean Sea and were not previously under communist rule (Petrovic & Barrer 2004). This eastward expansion of the EU continued in 2007, with the addition of another two former communist states joining the EU (Bulgaria and Romania). Finally, in 2013, another former communist state joined the EU (Croatia). The countries that joined the Union in 2004, 2007, and 2013 were during their communist past politically and economically very different compared to the 15 existing members of the EU (Nugent 2004). Prior to their accession to the EU, New Zealand's relations with these countries were minimalistic in all senses: politically, socially, and economically (McMillan 2003). With New Zealand (NZ) being a nation which relies heavily on exports and tourism (Ledgard et al. 2011), external relations are of significant importance. It is therefore important to research the development of relations between New Zealand and external countries. This includes the Central and Eastern European Countries (CEECs) by examining whether any changes in NZ-CEEC relations resulted from these countries' accession to the European Union or are simply the outcome of their post-communist economic prosperity and growth.

### 1.1 Research outline and research question

The primary goal of this thesis is to contribute to the academic literature on New Zealand's relationship with the European Union for current and future policymakers, and academics. This will be achieved by providing a contemporary analysis on New Zealand's relationship with the Central and Eastern European Union Member States since their accession to the EU. The thesis also aims contribute towards answering the question as to whether the EU as an institution advances individual relations between its members and third countries. The thesis is centred on the following research question:



*How have the 2004, 2007, and 2013 EU Enlargements impacted the political, social, and economic relations between New Zealand and the post-communist Central and Eastern European EU Member States?*

The answer to this research question will be conducted through three sections. Each section will individually examine and analyse the three main aspects of New Zealand's relations with these countries: those being political, social, or economic relations.

The first section explores the overall political relationship between New Zealand and the CEECs post-enlargement, including both direct and indirect political relations. In order to fully analyse the political relationship, an in-depth examination will take place of New Zealand's diplomatic history with the EU since the Eastern enlargement, as any decision that is reached between the EU and NZ will have an impact on the EU Member States, including the CEECs. Following this, an examination of the direct political relations will take place, establishing whether there has been an increase in diplomatic visits and overall political relations between NZ and the CEECs since the Eastern enlargement.

The second section explores the development of social relations which largely consist of people-to-people links, diaspora connections, and tourism. There will be an explanation of the importance of social relations, and the impact that tourism has had on New Zealand and the CEECs. There will also be an analysis on visitors to and from NZ and the CEECs to establish whether there are patterns or correlations resulting from the EU enlargement.

The third and final section explores the economic and trade relationship between New Zealand, the EU, and the CEECs. To answer this sub-question, an analysis into the overall NZ-EU economic relationship will occur, including examining foreign direct investment, and trade in goods and services. There will then be a closer investigation into New Zealand's relations with the CEECs, with an individual look into the East-Central European group, where the trade and patterns of commodities will be examined.

This thesis will start by examining previous and relevant literature within this research area. The literature review initially examines relevant sources surrounding the development of

relations between New Zealand and the European Union; the primary timeframe being from the dissolution of the Soviet Union in 1991 until the Eastern enlargement. It will then examine the historical relations and the development of relations between New Zealand and the CEECs. Finally, the literature review examines literature produced which analyses the impact of the EU enlargements on the relationship with New Zealand and the CEECs.

Following the literature review, this thesis will examine the theoretical framework which will be used and applied to the research and overall analysis. The theories to be examined in this thesis will be constructivism and rationalism. These theories will be defined and then placed within the context of this research topic. There will then be an investigation into the research question through the three sections mentioned previously.

## 1.2 Methodology

Due to this thesis examining and analysing the changes in political, social, and economic relations, the methodology will comprise both quantitative and qualitative research methods. This will be used separately as well as in a mixed method way. In order to gain insight and analyse the change in relations between New Zealand and the CEECs since their EU accession, both primary and secondary sources will be used. The primary sources that will be used to examine qualitative information include speeches, press releases, documents, and reports. Secondary sources to investigate qualitative information consist of books, journal articles, academic theses, and news articles. In terms of quantitative data, this thesis uses primary sources of databases such as Statistics New Zealand, Eurostat, and individual economic datasets. Examining relevant primary sources, such as legislation documents from the European Court of Justice, European Union, European Commission, European Council and governments from related countries, establishes more credibility towards the research. The secondary sources listed above will support findings from the primary sources.

Statistics New Zealand (Stats NZ) provides both a large quantity of data and are solely responsible for collecting and collating official information in New Zealand. Stats NZ have different tools to breakdown their data and information, which were used throughout this

thesis. These tools include NZ.Stat for import and export information, and Infoshare for visitor information. Relevant information gathered from Stats NZ was checked against the Eurostat, the statistical office of the EU, for validity. Certain datasets were also verified against data from CEEC statistical departments, such as the Statistical Office of the Slovak Republic, which verified trade figures between NZ and Slovakia.

### 1.3 Validity

The way this thesis has been researched raises some concerns regarding the validity of the research produced. The author was limited to sources published in English; however, this did not present large concern. Due to this thesis examining international comparisons, the relevant sources are highly reliable and internationally recognised. For official EU documents, this also is not an issue as all EU documents are published in all 24 languages of the EU, including English. However, any reports or publications amongst the CEECs that are either not published in English or translated from their native language into English could raise some concerns. These concerns are mitigated for this research due to the fact that the overall message of documents is significantly more important than individual meanings of words, meaning any slight mistranslation will not impact the findings.

### 1.4 Delimitations

The primary delimitation of this research was the inability to investigate all aspects of relations between New Zealand and the CEECs. Political relations were limited to direct relations, with only a brief overview of the indirect effects from cooperation with the EU on NZ-CEEC relations. Research into social relations was primarily restricted to the investigation of tourism, diaspora and people-to-people links, with only a limited amount focused on other aspects such as cultural displays and art. Economic relations were constrained largely to trade relations. Other relevant aspects of economic relations such as foreign investment were only partially covered, with investigation into the impact of the Eurozone not covered.

## 1.5 Definitions

The area known as Central and Eastern Europe is defined by the Organisation for Economic Co-operation and Development (OECD) as “...the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania” (OECD 2001).

Throughout this thesis, the term post-communist will refer to any occurrences or country's existence after the decline or collapse of communist regimes in Central and Eastern Europe. The decline of communism will be defined as the period from 4<sup>th</sup> June 1989, when the trade union Solidarity overwhelmingly won the partially free Polish election, leading to the peaceful fall of Communism in the country, until the collapse of the Union of Soviet Socialist Republics (USSR) – better known as the Soviet Union – on 26<sup>th</sup> December 1991.

From these definitions, and for the purposes of this thesis, the term post-communist Central and Eastern European Countries will refer to Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia after the dissolution of the USSR. The term post-communist Central and Eastern European Member States will refer to the same countries after their accession to the European Union. When Central and Eastern European Countries is mentioned, it will refer to the same countries in any time-period.

The 2004 enlargement to the European Union consisted of 10 countries. Due to the dominance of the Central and Eastern European countries of this accession, it is commonly referred to as the Eastern enlargement (Nugent 2004, p. 2). Therefore, throughout this thesis, when the term Eastern enlargement is mentioned, it will be referring to the 2004 enlargement.

The dissolution of Czechoslovakia in 1993 created two independent nations: the Czech Republic and Slovakia (officially the Slovak Republic). However, since the Czech Republic was established as an independent nation, there has always been contention of the name as the authorities wanted to disassociate itself with its communist era (Tait 2016). In 2016, the

Czech Republic made the name 'Czechia' the official short name of the country, whilst keeping 'Czech Republic' as their official full name. Therefore, throughout this thesis, both Czech Republic and Czechia refer to the same country and will be used interchangeably.

## CHAPTER 2: LITERATURE REVIEW

Whilst literature on the specific topic of NZ-CEEC relations remains limited, there is a larger body of the literature that examines the relationship and development of relations between New Zealand and the EU as a whole. Some of this literature can be directly applicable to the topic of NZ-CEEC relations. This chapter will start by reviewing literature that examines the overall relationship between New Zealand and the European Union, especially since the collapse of the Soviet Union when the CEECs started their European Union accession process. Following that, literature that details relations between New Zealand and the CEECs prior to their enlargement to the EU will be considered. Finally, this review will focus on the literature that examines the direct impact of the 2004, 2007, and 2013 EU Enlargements on NZ-CEECs relations.

### 2.1 New Zealand relations with the European Union

The relationship between New Zealand and the European Union has generally been extensive, especially since the early 1970's. However, prior to this, Gibbons (2008) stated that historically, New Zealand's political relations with countries in Europe were very limited in the middle of the 20<sup>th</sup> century. He argued that up until the 1960's, all of New Zealand's diplomatic efforts towards Europe were focused almost entirely towards the United Kingdom (UK), with one exception being an ambassador to France (Gibbons 2008). Lodge (1982) supports this argument, emphasising the importance of NZ-UK relations, especially with the relevance of trading goods such as butter, cheese, and lamb. The relationship changed after the UK had expressed interests in joining what was then the European Economic Community (EEC), the predecessor of the European Union. This caused New Zealand to move their ambassador in France to Brussels, and throughout the 1960's, open more embassies in EEC Member States. However, regardless of this, Gibbons argued that any diplomatic efforts from New Zealand towards Europe remained solely focused on Western Europe, largely still to the UK, primarily related to the promotion of agriculture and trade (Gibbons 2008).

Lodge and Gibbons both state that New Zealand managed to secure a special trade arrangement with the EEC prior to the UK's accession in 1973. Since New Zealand relied so heavily on trade with the UK, it was suggested that New Zealand's economy would suffer severely if no safeguards were introduced (Gibbons 2008, p. 9). Then Member of the European Parliament, Terry Wynn (2017), claims that when the UK was in negotiation talks with the EU prior to their accession, New Zealand was actually in favour of the accession unlike other commonwealth countries. He states that this was because New Zealand valued peace and stability in Europe over their special export privilege. However, Lodge (1982, p. 36) claims that New Zealand still requested special treatment from the EEC to protect their economy, relying on their wartime sacrifices for Europe and high political and cultural ties it had with New Zealand. Robson (1972) supports this by claiming that within the UK, public opinion was on the side of New Zealand, to the point that the UK government felt as they were unable to join the EEC if New Zealand did not have any arrangements in place to protect their agricultural trade.

Patten (2017) talks about how agricultural issues dominated bilateral relations for decades after the UK's accession to the EEC. He claims that these largely revolved around continuous discussions and negotiations to compromise with the Common Agricultural Policy (CAP) in order to improve New Zealand's access conditions of goods to the now European Union. This was concluded after the Uruguay Round which secured permanent access to the European Union's market for sheep-meat and butter (Patten 2017, p. 39). Patten claims that the result led to the May 1999 signing of a Joint Declaration on Relations between New Zealand and the EU. This declaration aimed to strengthen ties and promote political, economic, and security cooperation between NZ and the EU (Gibbons 2008; Patten 2017).

Köllner (2018) furthers this by detailing the evolution of this declaration. He argues that trade and economic matters had dominated the relations between New Zealand and the EU throughout their history. However, he also argues that in recent years, bilateral relations have been founded on the 2007 EU-New Zealand Joint Declaration on Relations and Cooperation, which have less emphasis on economic relations (Köllner 2018). This declaration was the successor of the 1999 declaration mentioned earlier. Köllner states that

in 2007, there was the signing of a bilateral agreement on scientific and technology cooperation and two agreements on security issues occurred, which included New Zealand agreeing to participate in the EU Police Mission in Afghanistan; a civilian mission which fell under the guise of the EU's Common Security and Defence Policy (Köllner 2018, p. 445). The other security issue regarded New Zealand aiding in Bosnia and Herzegovina with military crisis management. John Key (2017), then Prime Minister of New Zealand, adds to this, stating that New Zealand's involvement with these peace and security missions were important in building the relationship between New Zealand and the EU. Key further states that in 2009, he met with then European Commission President, José Manuel Durão Barroso, and agreed to work towards a formal comprehensive agreement, built off the 2007 declaration. This 2009 decision to create formal bilateral agreement, to be called the Partnership Agreement on Relations and Cooperation (PARC), lead to two rounds of formal negotiations in 2012 and 2014, with it officially being signed in October 2016 (Köllner 2018, p. 440).

## 2.2 New Zealand relations with Central and Eastern European Countries

In the time since the accessions of the CEECs to the European Union, starting in 2004, external relations with third countries have improved. However, many scholars (Clark 2017; Gamble 1990; Gibbons 2008; Holmes & Pearson 1991; Kaiser & Elvert 2004; McMillan 2003; Nugent 2004; Patten 2017; Petrovic & Barrer 2003; Schimmelfennig & Sedelmeier 2004) argue that before their accession to the EU, the CEECs had very limited external relations, both with the EU Member States and with third countries, including New Zealand. However, many of these scholars also indicated that the accession of the CEECs to the European Union provided an opportunity for improved external relations.

Prior to the collapse of the Soviet Union, relations between New Zealand and the CEECs were minimal. Gamble (1990, p. 12) states that relations during that time were almost exclusively economic based, and that most of the trading done with the CEECs was heavily in New Zealand's favour. However, Gamble also states that the overall amount of goods traded between NZ and the CEECs was very low, even when compared to New Zealand's



trade with the Soviet Union (Gamble 1990). Holmes and Pearson (1991, p. 237) support this, but also claim that while the relations were not strong between New Zealand and the CEECs, they were trouble-free and stable. Gołębiccka-Buchanan's report (2018) states that New Zealand's trade relations with the CEECs goes back as far as 1965 when official relations with communist Poland were established. Holmes and Pearson (1991) added to this that relations slowly developed, with more trade agreements being reached in 1967 with Bulgaria, in 1978 with Hungary, and in 1979 with Romania. However, trade between NZ and the CEECs at that time only amounted to around NZ\$ 40 million and was primarily with Poland, Czechoslovakia, and Hungary. Holmes and Pearson argue that whilst those agreements resulted in relatively minimal trade growth, it laid an important foundation for dialogue on trade relations between New Zealand and the CEECs. Clark (2017, p. 32) also suggests that New Zealand's relationship with the CEECs in the 1970s was very limited and focused heavily on trade, primarily agricultural trade.

Gamble (1990) and Moore (1990) state that in December 1989, New Zealand made financial contributions to Poland and Hungary, totalling almost NZ\$ 1 million, largely to aid agricultural development. This included funding for the development of NZ agricultural trade with Poland and Hungary; funding for education and vocational training in agriculture for Poland and Hungary; a technical assistance fund for agriculture and environmental development; and marking Poland and Hungary as national interest markets under the Exports Guarantee Act 1964 (EXGO), which allowed New Zealand to underwrite NZ\$ 50 million of trade with both countries every six months (Gamble 1990; Moore 1990). Gamble claims this package was to further build the existing relationship between New Zealand and agriculture producing CEECs. Jim Bolger (1993), then Prime Minister of New Zealand, stated that since his government was elected to office in 1990, New Zealand had also made contributions to Poland via the Group of 24 (G24) Assistance Programme.<sup>1</sup> This was initially a contribution in the agriculture area, due to New Zealand's expertise, followed by a project about geothermal energy (Bolger 1993). Bolger also stated that New Zealand joined the European Bank for reconstruction and development, and with this, contributed funds to its Technical Assistance Programme which Poland could draw from.

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<sup>1</sup> The G24 was a group established in 1971 to aid financial issues of developing countries.

### 2.3 Impact of EU Enlargement on NZ-CEE Relations

Prior to the Eastern enlargement there were many concerns from New Zealand regarding the effects of the enlargement on New Zealand's relationship with the EU. Helen Clark, who was Prime Minister of New Zealand at the time of the 2004 EU enlargement, raised some concerns prior to the enlargement stating that even though New Zealand made efforts to build some relations with the CEECs in the 1970s, most of these disappeared in the 1990s (Clark 2017, p. 32). Clark argued that when countries join the EU, they gain influence to make decisions within the EU. This was thought to be problematic for New Zealand's relations with the EU, due to the fact that New Zealand had little relations with any of the acceding countries. The acceding countries also had little knowledge of New Zealand, and due to the size of the enlargement, there were concerns that New Zealand's presence in the EU would diminish. This is a sentiment shared by McMillan (2003) who states that it would be harder for New Zealand to get the attention of the EU ministers and officials, especially since the 2004 enlargement was larger than all previous enlargements combined.

One of the other primary concerns from New Zealand prior to the Eastern enlargement was surrounding agriculture. McMillan (2003) stated that since the bulk of New Zealand's trade with the European Union was agricultural goods, the soon-to-be newcomers posed a threat to this. He argues that this was because some of the accession countries, largely Poland and Hungary, were large agricultural producers and were about to be introduced to the tariff-free internal market. This combined with the fact these countries tended to have lower labour costs, created the potential for cheaper agricultural goods to be exported into the wider European Union, which threatened New Zealand's agricultural exports to the EU.

Petrovic and Barrer (2004) acknowledged the above potential threats but viewed the 2004 eastward expansion of the EU as a positive occurrence for New Zealand. They stated that New Zealand's agricultural trade would be protected throughout and beyond the enlargement process, for a range of reasons. They argue that New Zealand's agricultural production are of higher quality when compared to that produced in the CEECs, alongside the fact that New Zealand do not face natural competition from the CEECs due to the make-up of their production. Clark (2017) supported this claim, by adding that the accession

countries were rapidly becoming attractive trading destinations, especially with the influx of EU money into the then accession countries. Clark and McMillan (2003) both state that during the accession process, the CEECs would have to adopt legal and financial practices which would create a safer and less riskier market for foreign countries, such as New Zealand, to trade with.

Gibbons (2008) provides an insight into the impacts of the Eastern enlargement on New Zealand's exports to Europe post-enlargement by researching and analysing businesses who export to the CEECs. He accomplished this by producing a study which examined 14 companies and highlighted the obstacles for non-traditional exporters and opportunities for traditional exporters. Gibbons concluded his study with a few key findings. Smaller New Zealand exporters had issues trading in the EU due to a lack of a pre-established profile; language played a large barrier and hindrance in business due to the lack of English-speakers in the CEECs, with the exception of some large businesses, as well as New Zealand exports being unwilling to learn CEEC languages as English was considered the international business language (Gibbons 2008, p. 89).

Petrovic (2008) provides another post-enlargement perspective, suggesting that in the few years immediately after the CEECs accession, relations still remained low between NZ and the CEECs. However, he also suggests that there were positive trends emerging, and even goes further to suggest that an EU expansion towards the Balkans would be beneficial for NZ. Petrovic states that the positive relation trend included increases in trade volume and relations when compared to the prior few years, as well as an improvement in political relations, largely from the establishment of a New Zealand embassy in Poland (Petrovic 2008, p. 20).

## CHAPTER 3: THEORETICAL ORIENTATION

This chapter provides an overview of theoretical orientations that can be useful in explaining changes in relations between New Zealand and the CEECs. This thesis will use three different theories in a complementary manner in answering the research question, those being constructivism and rationalism. The theories looked at will largely be used in the context of the CEECs accession to the European Union, which aids in answering the research question of potential growing relations between the CEECs and New Zealand since the Eastern enlargement.

### 3.1 Constructivism

Constructivism is a theory that, in its simplest form, can be defined as the social construction of everything (Green 2016, p. 14). The term *constructivism* is widely recognised to have been coined by scholar Nicholas Onuf (Jackson & Sørensen 2015), who stated that the definition was that “...people and societies construct, or constitute, each other” (Onuf 1989, p. 36). Schimmelfennig (2003, p. 68) proposed that constructivists regard *ideas* as the most fundamental cause of social occurrences, as opposed to materialism. He also argues that ideas have a structural and intersubjective aspect to them; meaning that ideas are shared and exist between people in an environment. Therefore, constructivists believe that the environment of a social actor,<sup>2</sup> (which can be either an individual or a state) to be a cultural or institutional environment that has been structured by collective rules. Wendt (1999) support this, within an international relations context, stating that the structure of human association is mainly determined, not by material forces, but by shared ideas. Wendt illustrates the fact that materialism is given meaning by their social construct by saying that “500 British nuclear weapons are less threatening to the United States than 5 North Korean nuclear weapons” (Wendt 1995, p. 73). In an institutionalism context, the perspective of a constructivist is that institutions, with their collective ideas, will shape actors’ identities and interests (Schimmelfennig 2003, p. 69).

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<sup>2</sup> Defined as “anyone who engages in intentional action which is shaped by internalized expectations about how others will interpret its meaning” (Chandler & Munday 2016)

In the context of EU enlargement, the perspective of constructivism would be that the main focus of enlargement would not be the distribution of material benefits, such as economic growth and increased living standards for individual and collective actors; rather there would be a need for analysis of values, norms and social identities instead. Put simply, this means that the CEECs desired to join the EU in order to share an organisation with Western Europeans who they shared similar cultural and social values with. Likewise, Western Europeans aimed to expand the European Union eastward due to their moral obligation to include the Eastern countries, who share the same values as them, into the multilateral club. Constructivism theory would argue that the politics surrounding the enlargement of the European Union would generally be shaped by ideational and cultural factors (Schimmelfennig & Sedelmeier 2002). From these factors, when examining enlargements, the level of similarities of fundamental beliefs and collective identity between actors within and outside the EU is most relevant. With this, the Eastern Enlargement does conform within constructivist theory. As Kolankiewicz (1993) and Neumann (1993) argue, the CEECs throughout the 1990s had an objective within their foreign policy to stray away from their eastern identity. They state that with actions such as introducing liberal democracy, the CEECs strived to 'return to Europe', and consequently, be recognised by the European Union as one of them; something that was accomplished due to the ideational environment of the EU, rather than material gain from joining the EU. The success of acceding to the European Union then confirmed the legitimacy of their newly adopted identity and values (O'Brennan 2006; Schimmelfennig 2003).

The theory of constructivism is somewhat applicable to examining New Zealand's relations with the CEECs. The change of political systems in the CEECs, from the likes of the introduction of liberal democracy, provided large opportunities for a variety of changes of relations with third countries. The confirmation of their new identity after their EU accession can be argued to make the CEECs more appealing and visible for third countries. It also provided opportunity for more direct political relations. However, the level to which constructivism can demonstrate improved relations is less obvious than other theories can provide explanation for. While it does provide an explanation to why the CEECs joined the European Union, using the theory as a tool to investigate the development of ongoing relations is applicable, but less so when compared to other theories. With *ideas* being at the

forefront of constructivism, it is possible to gain an insight into the general perceptions of ideas about the CEECs from New Zealand and vice versa, but it is less apparent than rationalism.

### 3.2 Rationalism

Rationalism is a general and broad term; however, reason, or *ratio*, lies at the core of rationalism (Huenemann 2008). If a thought seems conceivable, then it is genuinely possible, and likewise with the reverse. In other words, rationalism dictates that the human mind has the ability to understand the structure of reality (Huenemann 2008). Rationalism as a theory is largely based around the premise that “when faced with several courses of action, people usually do what they believe is likely to have the best overall outcome” (Elster 1989, p. 22). Contrary to that of constructivism, within the realm of international relations and institutions, rationalism largely focuses on material gain and individual interest (Schimmelfennig & Sedelmeier 2002). Oppenheimer (2012) supports this by stating that rationalism is based on the idea that actors are rational and therefore will pursue a path that will result in economic material gain. Rationalist theory would dictate that institutions would not change interests and identities of an actor. Rather the institution would analyse the calculations of cost/benefit, or in other words, they would provide incentives and constraints rather than reason (Schimmelfennig & Sedelmeier 2002). In the area of European studies, rationalism largely exists to analyse why national governments abandon their sovereignty in order to pool together at a supranational level (Saurugger 2014).

From a rationalist perspective, the Eastern enlargement was a logical decision for the CEECs. Vachudova presents the idea that “material rewards creates incentives for compliance with EU rules” (Vachudova 2008, p. 21). This sentiment was shared by Schimmelfennig adding that “enlargement policy has remained consistently linked to compliance with basic democratic norms of target countries” (Schimmelfennig 2008, p. 918). Appel and Orenstein (2018) argue that the Eastern enlargement was mutually beneficial, but more-so for the CEECs, with regards to direct material gain. This included the likes of access to EU subsidies and funds as well as to the internal market. Indirect material gains, such as increased investor confidence, were also attractive to the CEECs (Appel & Orenstein 2018). It can be

argued that the desire to obtain these material gains motivated the CEECs to rapidly alter and adapt their policies, largely in the area of democracy and trade, pursuing more liberal and open options. Rationalism, as Jupille, Caporaso and Checkel (2003) argue, simply means that “individuals want things, and they act in such a way as best to obtain what they want” (Jupille, Caporaso & Checkel 2003, p. 12). Rationalist theory does raise the question, however, as to why the European Union opened accession negotiations with the CEECs as argued by Schimmelfennig (2003). He proposed that the CEECs, once they acceded to the Union, became net recipients of the EU, meaning they benefit more than they contribute. Therefore, the ‘old’ EU member states’ motives for enlargement cannot be well explained by pure rationalist or materialist interests. Nugent (2004), however, further states that there would be an economic gain for the EU via the means of the increased business confidence within the CEECs as a result from the enlargement.

The theory of rationalism is applicable to the investigation of New Zealand’s relations with the CEECs. Rationalism dictates, as mentioned above, that the material gains from joining the EU will provide incentives for the CEECs to adapt their economic system to a market-orientated one in order to accede to the Union. The material benefits of joining the EU goes beyond economic gain and an increased level of trade. Rather, the material gain from accession to the Union includes a higher standard of living and wealth. This allowed more people from the CEECs to travel and see other countries more. This is especially important explaining a gain in visitor numbers from the CEECs to New Zealand due to the geographic location of New Zealand and the cost association with travelling to NZ. The material benefits also allowed an expanded level of scientific cooperation, largely indirectly through the European Union.

### 3.3 Summary

The theories of constructivism and rationalism that have been examined are relevant and appropriate to the research of this thesis. Constructivism and rationalism are two theories that do not deliver competing hypotheses about enlargement that can be tested against one another. Both are considered to be social metatheories that are based on assumptions of the social world, rather than any specific hypothesis (Schimmelfennig & Sedelmeier 2002).

With this, it is easier to regard the two theories as both partly complementary and partly competing when examining them in the context of EU enlargement. When both theories are used together, they become relevant and applicable towards answering the research question. Understanding the theoretical logic behind the Eastern enlargement significantly helps in explaining why any positive changes of relations would have occurred between the CEECs and New Zealand. Constructivist theory can largely aid in explaining aspects of changes in political relations due to its explanation of societal alteration, while rationalist theory can do the same for economic relations due to its focus on material gain. Both theories provide answers towards the changes of social relations, however, rationalism provides a more obvious explanation due to the focus on material benefit. The theories presented are applicable to this research and both provide explanations to areas where the other theory fails to, as suggested previously in this chapter where rationalism does not provide adequate explanation for the 'old' EU Member States motives for accepting the CEECs into the EU, constructivism does.



## CHAPTER 4: POLITICAL RELATIONS

Political relations between New Zealand and the European Union have for the most part, been relatively extensive especially for the size and geographic location of New Zealand. This was largely due to the extensive historical relations New Zealand has with the United Kingdom (Gibbons 2008). The European Union and New Zealand are like-minded partners, with shared values, numerous common goals and similar stances on most global issues (EEAS 2020). These include the support of the rule of law, democracy, human rights, climate change as well as being supporters and participating in multilateral organisations such as the World Trade Organisation and the United Nations. On the other hand, political relations between New Zealand and the CEECs have largely been focused around boosting economic relations, and even then, these relations were very minimalistic especially prior to the EU's Eastern enlargement.

### 4.1 New Zealand's Political Relations with the European Union

Official diplomatic and political relations between New Zealand and the European Union started in 1960 after a New Zealand ambassador was accredited to Brussels and the EU's predecessor, the European Community (Gibbons 2008). Since 1975, New Zealand and the European Community held regular diplomatic meetings to discuss overall relations. However, it was not until 1984 that the European Community established official diplomatic links to New Zealand, when the EU Delegation in Australia also became accredited to New Zealand. In 1996, then Vice-President of the European Commission, Leon Brittan, called for a strengthening of the relationship between the EU and New Zealand (Brittan 1996). He stated that the relationship should be more than just economic, especially due to the common roots and culture shared between NZ and the EU. Brittan also said that a formal agreement that covered economics and trade, with the addition of a political declaration, was in the works. At the same time, then NZ Minister of Foreign Affairs, Don McKinnon, also called for an overarching agreement with the EU to tie in various arrangements (EEAS 2020). Three years afterwards in May 1999, the Joint Declaration was signed. This declaration was not legally binding; rather it sought to generalise the intentions for future development of

cooperation between NZ and the EU (Gibbons 2008). This declaration led to heightened political relations, largely from the introduction of twice-yearly meetings between the Foreign Minister of New Zealand, the EU Presidency, and the Commissioner responsible for External Relations (Patten 2017). It also led to an increase in the number of EU Commissioners that visited New Zealand as well as the number of visits from the New Zealand Prime Minister to Brussels (Thornton 2006, pp. 52-53). The Joint Declaration was not the only agreement that was signed between NZ and the EU in the last decade of the 20<sup>th</sup> Century. Four other agreements were reached, two of which (the 1997 and 1999 agreements) were the first mutual recognition agreements that the EU signed with a third country (Benson-Rea & Mikic 2005). The agreements were as follows:

- 1991: Arrangement on Cooperation in Science and Technology
- 1997: Agreements on Sanitary Measures and Veterinary Standards
- 1998: Agreement on Conformity Assessment
- 1999: Mutual Recognition Agreement

The Joint Declaration has been considered to be a turning point in NZ-EU relations (Gibbons & Holland 2007). The increased level of political dialogue resulting from the Joint Declaration allowed the 1997 agreement towards veterinary standards to come into effect in 2003. This agreement was important for New Zealand as it created a recognition of uniform standards for food safety, making it easier for New Zealand exporters to trade agricultural products to the EU. In 2004, the agreement on future cooperation was reached between the EU and New Zealand. Building off of the 1999 declaration, this agreement started some new initiatives as well as further previous ones, such as taking action on the 1991 science arrangement. In May 2004, the European Union officially opened their own office in Wellington, New Zealand after an invitation by the New Zealand Government (EEAS 2016). This office was further developed in September 2016, when the Delegation of the European Union in New Zealand became a full mission, led by a resident EU ambassador (Köllner 2018).

These agreements were consolidated and boosted in 2007 when New Zealand and the European Union signed the Joint Declaration on Relations and Cooperation. Building off of the 1999 and 2004 cooperation agreements, the 2007 Declaration further developed diplomatic relations. Of the 51 paragraphs that make up the 2007 Declaration (of which 46 are non-background content) only seven of them were focused around economic and trade matters (Gibbons 2008; Köllner 2016). The remaining paragraphs referred to issues such as development policy, the environment, counter terrorism and human rights, security, education, and fisheries (Durão Barroso 2012; EEAS 2020). The higher level of cooperation also prompted then New Zealand Prime Minister, Helen Clark, to call for a free trade agreement between New Zealand and the EU (The Dominion Post 2009). Also, as mentioned in *Chapter 2: Literature Review*, in 2007 New Zealand and the EU agreed upon bilateral cooperation on scientific and technological matters, as well as two agreements on security issues. Specifically, these security issues were about New Zealand's participation in two EU Common Security and Defence Policy missions; a contribution of police officers to an EUPOL mission in Afghanistan, only one of four non-EU countries to do so; and participation in military crisis management operations in Bosnia and Herzegovina (Köllner 2016).

In 2009, then European Commission President, José Manuel Durão Barroso and then NZ Prime Minister, John Key, met to discuss the future for NZ-EU relations. This meeting concluded that there was a desire to establish a legally binding and elevated level of relations (Köllner 2018). Key stated that establishing a formal agreement that covers all areas (trade, economic, political, and security) was "...both a logical and desirable next step for a relationship of such significance" (Key 2017, p. 96). In 2011 Durão Barroso became the first Commission President to visit New Zealand in almost 30 years. He stated that "...the European Commission highly values its relations with New Zealand" (Durão Barroso 2011, p. 101). In July 2012, New Zealand official entered negotiations with the EU for the first legally binding political agreement, known as the Partnership Agreement on Relations and Cooperation (PARC). The PARC negotiations were concluded in 2014 and was signed in Brussels on October 2016 by High Representative of the Union for Foreign Affairs and Security Policy, Federica Mogherini, and NZ Minister of Foreign Affairs, Murray McCully (MFAT 2016). The PARC agreement provided a comprehensive framework for bilateral engagement between New Zealand, the European Union, and the individual Member States.

Building off of the 2007 Declaration, the PARC included the addition of cooperation of migration, science and innovation, cybercrime, culture, and juridical cooperation (Köllner 2018; MFAT 2016). For instance, New Zealand and the EU now hold regular technical and policy meetings to develop further emission trading schemes (Shaw 2018). Another cooperation effort would be participation under the Horizon 2020 scheme, where New Zealand has collaborated in 40 projects with EUR 3.9 million in funding (European Commission 2018). There were also two bilateral projects between 2013 and 2016. The first being the FRIENZ (Facilitating Research and Innovation co-operation between Europe and New Zealand) project which aimed to facilitate new strategic research, science and innovation partnerships between NZ and the EU. The second being PACE-Net Plus, which supported the same areas, but also included the South Pacific island nations (European Commission 2020).

New Zealand has, for the past decade, aspired to obtain a free trade agreement (FTA) with the European Union. As New Zealand's third largest trading partner, this would have a severely positive impact on the economy of New Zealand. Initially called for in 2009 by Helen Clark, it was announced in 2015 that an EU-NZ FTA would be pursued (The Dominion Post 2009). New Zealand then spent the next three years successfully gaining support from the EU Member States, including many of the CEECs such as Poland. On 22<sup>nd</sup> May 2018, the European Council officially authorised the opening of negotiations between the EU and New Zealand regarding an EU-NZ FTA (European Council 2018). Negotiations were officially launched 21<sup>st</sup> June 2018 in Wellington by EU Trade Commissioner Cecilia Malmström and NZ Trade Minister David Parker. Malmström stated that an FTA would be a win-win agreement, not just because it provides more economic opportunities, but also as it strengthens ties with an ally who stands up for the same values as the EU. She further stated that the EU-NZ FTA is "...an excellent opportunity to set ambitious common rules and shape globalisation, making trade easier while safeguarding sustainable development" (Malmström 2018). It was estimated by the European Commission in their 2017 Impact Assessment Report that the result of the EU-NZ FTA would provide a growth of New Zealand's real GDP by 0.52%, or €1.3 billion, as well as growing NZ's economic welfare by €0.6 billion in the long term (European Commission 2017). At the time of writing, the EU-NZ FTA has undergone eight rounds of negotiations, with the last one taking place virtually in June 2020.

Every New Zealand Prime Minister since the Eastern enlargement has visited the EU and met with high-ranking members of the EU. In November 2005, Helen Clark visited Belgium after a Commonwealth Heads of Government Meeting, where she met with EU Commission President, José Manuel Durão Barroso and several EU Commissions. In 2015, John Key visited Brussels and met with Commission President Jean-Claude Juncker, European Council President Donald Tusk, and European Parliament President Martin Schulz. This visit by Key was used to announce the start of the EU-NZ free trade agreement process. In January 2017, just 32 days after he was sworn in as Prime Minister, Bill English visited Brussels to discuss trade ties and the EU-NZ free trade agreement. English also met with several heads of states, including German Chancellor Angela Merkel. He crucially managed to secure the backing of Germany in support of the trade deal between the EU and New Zealand, with Merkel stating that she “...would press the 28-nation EU to work toward a quick trade accord with New Zealand” (Reuters 2017). In November 2017, Jacinda Ardern attended the 50<sup>th</sup> ASEAN Summit in Manila. Whilst there, Ardern met with the President of the European Council Donald Tusk to discuss political and trade matters. Ardern also visited Brussels in January 2019, where she again met with Tusk, as well as Commission President Jean-Claude Juncker where they further discussed the EU-NZ free trade agreement (Stuff 2019).

#### 4.2 Direct New Zealand Political Relations with the CEECs

As mentioned previously, once the agreements between New Zealand and the EU, which were aimed at bolstering political and economic relations, were signed, there was an increase in the number of diplomatic exchanges between NZ and the EU. This included a rise in the number of visits to and from NZ and the Central and Eastern European Member States. Table 1 highlights the ministerial visits between NZ and the CEECs over the past 15 years, as well as Head of State visits.

*Table 1: Diplomatic visits from Ministers or Leaders between New Zealand and the CEECs since the Eastern Enlargement*

	<b>New Zealand Diplomatic Ministerial visits to CEECs</b>	<b>CEEC Diplomatic Ministerial visits to New Zealand</b>
<b>2005</b>	<u>Poland</u> <sup>3</sup>	
<b>2006</b>	Hungary, Poland	<u>Lithuania</u>
<b>2007</b>		Poland
<b>2008</b>	Hungary, Poland, <u>Romania</u> , Slovakia	Poland
<b>2009</b>	Poland, Slovakia	Estonia, <u>Hungary</u>
<b>2010</b>		Czechia
<b>2011</b>	Croatia	
<b>2012</b>	Croatia, Hungary	
<b>2013</b>	Croatia, Poland (x4)	Hungary, Poland
<b>2014</b>	Croatia, Czechia, Estonia, Poland	<u>Croatia</u> , Estonia, Hungary, Poland (x2)
<b>2015</b>	Estonia (x2), Poland (x3)	Latvia, Lithuania, Slovakia
<b>2016</b>	Estonia, Hungary, Latvia, Lithuania, Poland	Estonia, <u>Hungary</u>
<b>2017</b>	Lithuania	<u>Croatia</u> , Hungary, Poland (x2)
<b>2018</b>	Estonia, Lithuania, Poland	<u>Estonia</u> , Lithuania, <u>Poland</u>
<b>2019</b>	Poland	Czechia

Source: (MFAT 2020; New Zealand Parliament 2020)

As is clearly visible from Table 1, there has been an increase in Ministerial or Leadership visits to and from New Zealand and the CEECs since these countries joined European Union. During this period, the New Zealand Ministers of Foreign Affairs has visited seven of the 11 CEECs, with the rest of the visits being comprised mainly of parliamentary visits, historical remembrance or anniversary dates, and conference visits. In 2015, a delegation from New Zealand went to Krakow, Poland for the 70<sup>th</sup> anniversary of the liberation of concentration camps at Auschwitz-Birkenau. Another example is from 2014 and 2018, when NZ ministers

<sup>3</sup> Those countries marked with an underline indicate that the visit was by a Prime Minister or President.

attended cyber security conference in Estonia. It is interesting to note that there have been diplomatic visits to and from NZ and all of the CEECs, with the exception of Bulgaria, which has seen zero diplomatic visits either way. There were also other important non-ministerial visits to the CEECs not listed in Table 1. Former Prime Minister of New Zealand, Jim Bolger, visited both Czechia and Hungary in 2013 and 2014 respectively (MFAT 2020). He did this whilst under the role of the Prime Minister's Special Envoy in order to gain their support for New Zealand's bid for a non-permanent seat on the United Nations Security Council (UNSC); a bid that was ultimately successful.

Prior to the Eastern enlargement, New Zealand primarily maintained their relationship with Hungary through the Cairns group (Gibbons 2008). Established in 1986, this special interest group unites agriculture exporting nations as they seek to liberalise the trade of agriculture produce and the lowering of agricultural production subsidies (The Cairns Group n.d.). There were 14 founding members of the Cairns group, of which, New Zealand and Hungary were two. This group allowed the Foreign Affairs Ministries from Hungary and New Zealand to interact easily and somewhat frequently. However, Hungary viewed their membership in the Cairns group as incompatible with membership of the EU, resulting in Hungary withdrawing from the Cairns group on the 1<sup>st</sup> February 1998 (Michalopoulos 1999).

There is little physical representation between New Zealand and the CEECs via the means of embassies. As of 2020, New Zealand only has one embassy in the CEECs, that being the New Zealand Embassy in Warsaw, Poland, as highlighted by Table 2. This embassy was opened by then NZ Prime Minister Helen Clark in April 2005, stating that part of the reason that an embassy was opened in Poland was due to the historical ties New Zealand and Poland had from the battle of Cassino in Italy during the Second World War. She stated that the opening of the Warsaw embassy was an "enrichment of New Zealand/Poland relations" (Clark 2005).

Table 2: NZ Embassy locations in CEECs and CEECs Embassy locations in NZ

<b>CEE Country<sup>4</sup></b>	<b>CEEC Embassy location accredited to New Zealand</b>	<b>New Zealand Embassy accredited to the CEECs</b>	<b>Working Holiday Scheme</b>
<b>Bulgaria</b>	Canberra, Australia	Brussels, Belgium	No
<b>Croatia</b>	Canberra, Australia	Rome, Italy	Yes
<b>Czechia*</b>	Canberra, Australia	Berlin, Germany	Yes
<b>Estonia*</b>	Yarralumla, Australia	Warsaw, Poland	Yes
<b>Hungary</b>	Wellington, New Zealand	Vienna, Austria	Yes
<b>Latvia*</b>	Shibuya-ku, Japan	Warsaw, Poland	Yes
<b>Lithuania*</b>	Tokyo, Japan	Warsaw Poland	Yes
<b>Poland*</b>	Wellington, New Zealand	Warsaw, Poland	Yes
<b>Romania*</b>	O'Malley, Australia	Brussels, Belgium	No
<b>Slovakia*</b>	O'Malley, Australia	Vienna, Austria	Yes
<b>Slovenia*</b>	O'Malley, Australia	Vienna, Austria	Yes

Source: (MFAT 2020)

Clark also stated during her visit to Poland that the EU is "...a vital economic and political partner for New Zealand, and through our embassy here we will have a voice in another key European capital" (Gołębicka-Buchanan 2018, p. 44). Prior to the opening of this embassy, New Zealand's embassy in Berlin, Germany was accredited to all of the Visegrád Group countries; Czechia, Hungary, Poland, and Slovakia (Clark 2017). Currently, NZ's embassy in Warsaw is also accredited to Estonia, Latvia and Lithuania, with NZ being represented in the remaining CEECs from embassies located in Belgium, Italy, Germany, and Austria (Table 2). Helen Clark's visit to Poland in 2005 was the only time a New Zealand Prime Minister has visited a CEEC since the Eastern enlargement, with the exception of 2008 when Clark attended a NATO summit meeting in Romania.

Regarding embassies from the CEECs in New Zealand, only two of the 11 countries have physical representation via an embassy in New Zealand - Poland and Hungary. However, it is

<sup>4</sup> Those countries marked with an asterisks (\*) have a consulate in New Zealand.



worth noting that all of the CEECs, but Bulgaria and Hungary, do have a consulate in New Zealand. Poland has had the longest diplomatic representation in New Zealand out of the CEECs. In 1934, the Polish Honorary Consul-General to Australia, Władysław Noskowski, was accredited to New Zealand, and in 1938, a Polish Consulate was opened in Wellington (Gołębicka-Buchanan 2018). However, it wasn't until 1966 that physical representation with communist Poland started when the Consulate General of the Polish People's Republic opened in Wellington; with it being upgraded to a full embassy on 1<sup>st</sup> March 1973. This remained the only CEEC embassy in New Zealand until Hungary's Minister of Foreign Affairs, Péter Szikkártó, opened the Hungarian Embassy in Wellington in February 2017 (Magyar Távirati Iroda 2017).

Since the Eastern enlargement, there have been seven visits from CEEC leaders; six Presidential and one Prime Ministerial visit. In February 2006, New Zealand saw a visit from Lithuanian President, Valdas Adamkus, which followed NZ Foreign Minister Phil Goff's visit to Lithuania in 2004. In September 2009, John Key welcomed Hungarian President László Sólyom to New Zealand. The previous Hungarian Presidential visit in 1999 was entirely focused on diplomatic and economic relations, while the focus of Sólyom's visit was based on increasing scientific, cultural, and education links between New Zealand and Hungary. He also used the visit to meet with the Hungarian community that exists in NZ. In November 2016, Key also welcomed current Hungarian President János Áder to New Zealand, with his visit having a similar focus.

In March 2014, Croatian Prime Minister Zoran Milanović, who as of 2020 is the current Croatian President, visited New Zealand to build and develop business and trade relations as Croatia has joined the European Union 10 months earlier (Key 2014). August 2017 saw the visit of Croatian President Kolinda Grabar-Kitarović to New Zealand. With Croatia being an ally for the NZ-EU FTA and for New Zealand's bid for a non-permanent seat on the UNSC, Grabar-Kitarović's visit to NZ was largely to increase bilateral relations, as well as to experience New Zealand's Māori culture. NZ Trade Minister Todd McClay stated that the potential for trade expansion with Croatia was large due to their manufacturing of farming equipment, and Croatia's interest in NZ's fishing industry (NZ Herald 2017).

In August of 2018, New Zealand welcomed the first ever visit from a Polish President (Chumko 2018). President Andrzej Duda visited New Zealand to meet with Polish community that was founded after World War II when Polish refugees and children were accepted into Pahiatua Polish Children's Camp (see Chapter 5.2). Duda's visit coincided with a new partnership agreement between Pahiatua and Kazimierz Dolny in eastern Poland; a partnership with the aim to establish cooperation and contacts as well as to promote culture and tourism (Gołębicka-Buchanan 2018). 2018 also saw a Presidential visit from the Estonian Head of State, Kersti Kaljulaid, who stated that the two countries share similar values and cooperate together in the area of e-governance, as well as gathering statistics in the ever-growing digital society (ERR News 2018).

In 2009, the Global Research Alliance on Agricultural Greenhouse Gases (GRA) was formed. This alliance aims to bring countries together to research and develop practises and technologies to help deliver more ways to grow food and create food systems that are climate resilient without increasing greenhouse gas emissions (Gołębicka-Buchanan 2018). This initiative has been led by New Zealand since its creation. As of 2020, there are 60 countries involved, including two CEECs. Poland joined the GRA in 2014 and Lithuania joined in late 2016, with agriculture playing an important economic role for both countries (GRA 2014,2016).

### 4.3 Summary

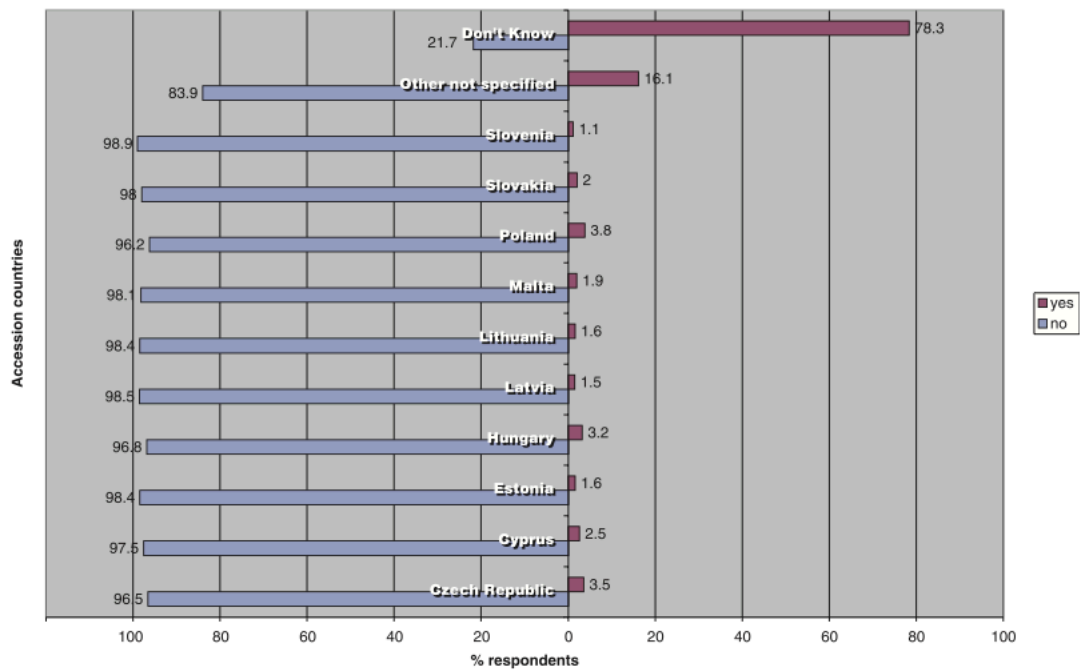
This chapter has provided an overview and insight into New Zealand's historical and modern political relations with the European Union and the Central and Eastern European Countries. While relations between the EU and NZ can be traced back to 1960, it wasn't until 1975 that diplomatic efforts increased, with physical representation being established in the mid-1980s. This laid the foundation for cooperation agreements to be signed throughout the last decade of the 20<sup>th</sup> century, notably the Joint Declaration in 1999. These agreements were furthered in 2004, alongside the opening of an EU office in Wellington. In 2007, an updated Joint Declaration between NZ and the EU was signed, the basis of which were deviated from just economic issues and rather focused primarily on political and security issues. A visit from Commission President Barroso in 2010 marked the beginning of talks for a comprehensive partnership agreement, which later became reality with the PARC agreement, signed in 2016. New Zealand has also longed for a FTA with the EU, and in 2018, official negotiations kicked off regarding an EU-NZ FTA, which will be highly beneficial for NZ once finalised. There has also been an increase in diplomatic visits from both NZ and the EU to one another. Since the Eastern enlargement, every NZ Prime Minister has visited Brussels and met with the various Presidents in the EU. Also since the Eastern enlargement, there has been a definitive increase in ministerial and Presidential visits between NZ and the CEECs. In terms of representation of NZ in the CEECs and vice versa through the means of embassies, despite seeing some improvement, this remains low. New Zealand only has one embassy in the CEECs, that being Poland, whilst only two of the CEECs have an embassy in NZ, those being Poland and Hungary.

## CHAPTER 5: SOCIAL RELATIONS

Social relations play an important part of New Zealand's relation with Europe. The establishment of social relations between two parties can significantly impact diplomatic and political connections, as well being a factor which increases economic relations and benefits (Gibbons 2008, p. 94). The main aspects which contribute towards social relations that will be examined are people-to-people links, diaspora within New Zealand, tourism, and working holiday schemes, as mentioned in the Introduction. People-to-people links and diaspora tend to emerge from migration and create a common ground, from which, economic relations and cooperation can grow and become easier (Gibbons 2008). Tourism is an ever-growing industry, and can serve a greater purpose than just economic gain; rather, it also has the capability to increase and strengthen links between two countries, with schemes such as a short-term working holiday visa (Clark 2017).

As highlighted in Chapter 2, relations were minor between New Zealand and the CEECs prior to their enlargement to the European Union, and any relations that did exist were mainly economic based (Clark 2017; Gibbons 2008; McMillan 2003; Patten 2017). This was largely due to the political situation in the CEECs during the latter half of the 20<sup>th</sup> century. However, while there was lack of relations, there was also a sheer lack of knowledge from New Zealand about the CEECs and vice-versa. A survey conducted by New Zealand's National Centre for Research on Europe (NCRE) in 2003 (NCRE 2003, p. 21), prior to the Eastern enlargement, indicated that over 78% of people surveyed in NZ knew little-to-nothing about the then accession countries. This can be shown by Figure 1, which emphasises the extent of New Zealander's lack of knowledge of the accession countries.

Figure 1: Knowledge of the accession countries from New Zealand in 2003



Source: (NCRE 2003, p. 21)

The same study also concluded that over 88% of respondents had no personal or professional contacts in the CEECs, with Poland being the country with the highest percentage of contacts at 3.8% (NCRE 2003, p. 21). It was also noted that the Czech Republic, now also officially known as Czechia, was the most visited country from the respondents. This is a trend that has continued until the present day, as highlighted later by Table 3 (see p. 45), which shows Czechia is still the most visited country out of the 2004 enlargement group, second only to Croatia who joined in 2013.

### 5.1 People-to-people links

Prior to the Eastern enlargement, then Prime Minister of New Zealand, Helen Clark, emphasised the importance of people-to-people links for relations New Zealand and the European Union, stating that “people to people contact is one of the cornerstones of the EU/New Zealand relationship” (Clark 2017, p. 29).

In 2004, New Zealand and the EU signed an agreement to launch the Pilot Cooperation Programme in Higher Education (European Commission 2004; Maharey 2004). This agreement was built off of the 1999 Joint Declaration and fell under a 2001 European Council regulation.<sup>5</sup> This agreement allowed New Zealand students the opportunity to study at a postgraduate level in certain European educational institutions. The 2004 programme aimed to establish cooperation between different higher education institutions, specifically with a focus on student mobility and international curriculum development. This was to be funded by the European Commission and New Zealand jointly, up to amount of €300,000 per side (European Commission 2004). When the programme was launched, the New Zealand government assigned NZ\$ 200,000 per year for the following three years to fund the initial exchanges between agreed-upon universities (Maharey 2004). In New Zealand, the University of Canterbury and University of Waikato worked together with four universities in Europe to develop the exchange programme. These consisted of the University of Lancaster and University of Nottingham in the UK, the Upper Austria University of Applied Science in Austria, as well as the University of Ljubljana in Slovenia (Maharey 2004). This scheme was repealed and replaced in 2007 by the Education Cooperation Programme under the framework of the industrial countries instrument (ICI ECP). This agreement encompassed more objectives than its predecessor and included more third countries. This new Council Regulation aimed to increase people-to-people links via the following:

*“...to support high quality partnerships between higher education institutions in the Union and in third-countries as a basis for structured cooperation, exchanges and mobility, at all levels of higher education.”* (Council Regulation (EC) No 1934/2006, p. 8)

The ICI ECP scheme was one where the partner countries (New Zealand, Australia, South Korea, and Japan) could apply for higher education funding to facilitate exchanges. Throughout the lifespan on this Regulation (2007-2013), New Zealand managed to secure

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<sup>5</sup> Council Regulation (EC) No 382/2001 of 26 February 2001 concerning the implementation of projects promoting cooperation and commercial relations between the European Union and the industrialised countries of North America, the Far East and Australasia and repealing Regulation (EC) No 1035/1999

two lots of funding, however, both were linked to Western European universities. The first was in 2008, worth €318,750 between the University of Limerick, Ireland and Massey University, New Zealand regarding environmental climate change monitoring (EACEA 2008). The second was in 2013, worth €190,000. This was between Danmarks Medie- Og Journalisthøjskole in Denmark and the Auckland University of Technology and the University of Canterbury in New Zealand that focused on journalism; specifically reporting on Europe and the Asia-Pacific (EACEA 2013; Spyksma 2014). The ICI ECP scheme was not renewed after 2013. Some Polish universities have also developed student exchange programmes with New Zealand universities. Poland oldest university, Warsaw's School of Economics, signed a cooperation agreement with Victoria University of Wellington based on providing a semester of study for local students at the other university (Gołębicka-Buchanan 2018). They also exchange students with Otago University, initially four students per year, however, this has grown over the years (Gibbons 2008, p. 117). Since 2013, Kozminski University in Warsaw has an international student exchange agreement with the Hamilton-based Waikato Institute of Technology (Gołębicka-Buchanan 2018).

Since 2003, the NCRE and the New Zealand European Union Centres Network (EUCN) have also sent on average two postgraduate students per year to Brussels to intern for a Member of the European Parliament (EUCN & NCRE 2020). This opportunity is available to any postgraduate student at a New Zealand university which is partnered with the EUCN. The NCRE also has partnership connections with European universities to allow postgraduate students to go on an exchange as part of their studies, which include TUT Tallinn in Tallinn, Estonia; and Comenius University in Bratislava, Slovakia (NCRE n.d.).

Since the time of the Eastern enlargement, New Zealand culture has also been shared in the CEECs via the means of cinema and art. In 2003, New Zealand made their debut at the Prague Quadrennial, a Czech event dedicated to showcasing design work. New Zealand has since attended every Prague Quadrennial event, the last being held in 2019, with themes largely revolving around Māori or Pacific culture and art. Another example is the featuring of New Zealand films at various film festivals within the CEECs. Starting with a Czech film festival in 2002, there has been New Zealand made films in international film festivals hosted in Bulgaria, Estonia, Latvia, Lithuania, and Poland since the Eastern enlargement.

Every year in NZ, there is a New Zealand International Film Festival. However, there are other independent festivals, such as the NZ Polish Film Festival which has been running since 2016.

## 5.2 CEEC Diaspora in New Zealand

Social connections between New Zealand and the CEECs can be traced back to the conclusion of the Second World War when an offer of assistance was sent from New Zealand to Poland. Out of all of the CEECs, Poland is the country with the biggest diaspora group in New Zealand. In December 1943, Peter Fraser, then Prime Minister of New Zealand, wrote a letter to Polish professor Count Kazimierz Wodzicki offering “to receive, within the total number of 500-700, a number of mothers and children” from Poland (Bolger 1993, p. 19). The result of this letter was 733 Polish children sailed to New Zealand to stay at the then recently founded Pahiatua Polish Children’s Camp. This influx of Polish immigrants was the second of three ‘waves’ of Polish migration to New Zealand (Sawicka 2006). The very first wave occurred in the 1870’s. The second wave was mentioned prior in 1943, after which, New Zealand also accepted approximately another 800 Poles post-second World War (Cozens 2005). The second wave of Polish migration largely settled in Auckland, New Zealand. The third wave refers to the 330 Polish refugees between 1981 and 1983 due to the political situation of Poland at the time; fear of Soviet invasion, rise of the *Solidarność* (Solidarity) movement, and the imposition of martial law. The Polish community in New Zealand is still active as of 2020, largely widespread through the three core branches of the Polish Association in New Zealand. These are located in Wellington, Christchurch, and Auckland and were founded in 1948, 1950, and 1959 respectively. These organisations created a range of other Polish-related groups, such as the Polish churches and dance groups. There are also Polish Schools that were formed after the closure of Pahiatua Polish Children’s Camp to continue the education of Polish language, culture, history, and traditions in New Zealand (Sawicka 2006). These schools continue to, as of 2020, run weekend classes in major NZ cities such as Auckland and Christchurch (Januskiewicz-Reid & McNeil 2020). As of New Zealand’s 2018 census, there are 2,871 people who identify as Polish living in New Zealand (Stats NZ 2018).



Hungary was the another CEEC that saw a relatively large influx on migrants out of the CEECs. In 1956, displeasure with the communist government in Hungary led to an uprising. As a result of the uprising, some 200,000 Hungarians were sought refuge outside of Hungary. New Zealand, determined to highlight their alignment with the West, in the context of the Cold War, offered to accept 1,000 Hungarian refugees (Beaglehole 2006). Between 1956 and 1959, New Zealand actually went beyond this offer, accepting and welcoming 1,117 refugees; all of which were chosen as they had been deemed a potential asset to New Zealand (Beaglehole 2006). Similarly, to the Polish diaspora, Hungarian societies were founded and currently remain in New Zealand, with these largely exist in Auckland, Wellington, and Christchurch. These societies largely offer language and cultural classes as well as Hungarian a radio broadcast. As of 2018, there are 1,638 people who identify as Hungarian residing in New Zealand (Stats NZ 2018).

The other CEE country that has maintained a somewhat significant cultural presence in New Zealand is Croatia. There were three main phases of Croatian immigration to New Zealand. The first occurred with Dalmatians in the latter half of the 19<sup>th</sup> century, primarily attracted by New Zealand's goldfields. Dalmatia is a coastal area on the Adriatic Sea within Croatia. Populated with peasants, this area had little fertile land and was typically underdeveloped, which urged them to seek out wealth through goldfields (Walrond 2006). Upon the end of the gold rush, many Dalmatians took up other activities within NZ, such as farming, fishing, and winemaking. The second occurred between 1945 and 1970 when approximately 3,200 Croatians, now part of Yugoslavia, immigrated to NZ, including a small group of 238 skilled workers moved in the 1960s due to the liberalisation of the Yugoslavian regime (Walrond 2006). The third phase was in the 1990s after the collapse of Communism, where approximately 4,500 Yugoslavians were provided with a permanent resident visa to live in New Zealand. Traditionally, the Dalmatian community in New Zealand exists in Northland as they connected well with the Māori in the far north. The Croatians that moved to NZ in the 20<sup>th</sup> Century tended to marry within their own community group resulting in a much higher level of culture and language preservation, unlike other CEEC immigrant groups (Walrond 2006). As of 2018, there are 2,946 people who identify as Croatian, and 207 who identify as Dalmatian living in New Zealand (Stats NZ 2018).

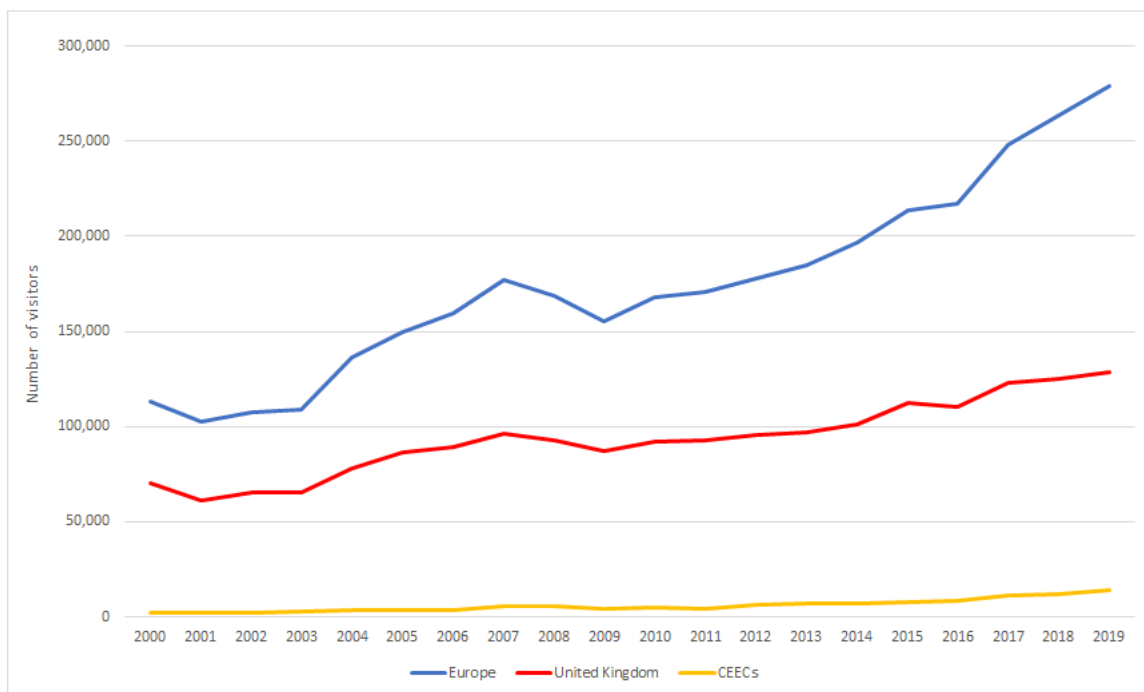
While the remaining CEECs do have a presence in New Zealand, they are largely very small or inactive. For example, whilst some did emigrate from Czechoslovakia to New Zealand during the 20<sup>th</sup> Century, largely from the 1948 Communist coup and the 1968 Warsaw Pact invasion of Czechoslovakia, the community in NZ did not flourish (Wilson 2006). After the collapse of Communism, NZ saw an influx of immigration from many of the CEECs, however, the level of immigration from Czechoslovakia was low. However, there have been recent attempts to keep the Czech culture and traditions alive in New Zealand. In 2013, Czech Schools were formed for the small but somewhat vibrant Czech community. In 2018, these schools published a bilingual children's book, written in English and Czech, with the illustrations drawn by a Slovakian artist (Chanwai-Earle 2018). From NZ's census, there are 1,740 and 408 people who identify as a Czech or Slovak respectively as of 2018. There was a small boost in immigration from the Baltics and South-Eastern Europe after the collapse of Communism, however, communities and clubs honouring the culture and language are far and few. This is supported by the 2018 census, which highlighted that there were only around 200 NZ residents who identify as being from each of the Baltic State (Stats NZ 2018).

### 5.3 Tourism between NZ, the EU, and the CEECs

According to the World Tourism Organisation (UNWTO), in the past 60 years, the tourism sector has been continually diversified and expanded to the point where it is now of the biggest and fastest-growing economic sectors globally (UNWTO 2017, p. 2). This is especially true in the past two decades, with the cost of travel decreasing significantly. Between the years 2000 and 2016, the international tourism industry grew substantially worldwide, from US\$ 495 billion to US\$ 1,220 billion and tourist arrivals and increased from 674 million to 1,235 million, which represents about 7% of the world's exports in goods and services (UNWTO 2017). With this boom in international travel, trends have emerged that indicate that with tourism increasing geographically, there has been a growth in cultural exploration (Verma, Rebelo & Araújo 2019). Tourism is especially important for Europe, as according to a report by the European Statistical Office (Eurostat), the European Union is the world's number one tourist destination.

Travel between New Zealand and Europe is dominated by travel to and from the United Kingdom. This is largely due to the significant historical connections, as well as the large amount of British expatriates in New Zealand; with New Zealand hosting the seventh largest British expatriate population globally, only just behind France (Gibbons, Kelly & Holland 2019, p. 184). As shown by Figure 2, it is clear that when New Zealanders visit Europe, the country of main destination is the United Kingdom, with visits to the CEECs being comparatively minor. It is worth noting that this data does not encompass the entirety of New Zealand visitors to Europe; rather, it is data obtained by Statistics New Zealand (Stats NZ) by compiling information from New Zealand departure cards, which asks about the country of *main destination* from people departing New Zealand rather than all planned destinations, which were mandatory to fill out when leaving New Zealand. The New Zealand departure cards were discontinued in 2018 and from then onwards, data was obtained by collecting the destination of *main stay* from arriving New Zealanders, leading to a very slight variation in data from 2018 onwards (Statistics New Zealand 2020c).

Figure 2: Visitors from NZ to Europe, the UK, and CEECs between 2000 and 2019



Source: (Statistics New Zealand 2017,2020c)

As shown by Figure 2, any peaks and troughs in the UK's data are heavily influential on the data for the entirety of Europe. As previously mentioned, New Zealand shares close historical and cultural ties with the UK, as well as a very large population of British

expatriates, which would explain the very high visitor rates to the UK (Table 2). Prior to the Eastern Enlargement, NZ visitors to the CEECs only amassed less than 2% of total NZ visitors to Europe. Since the first of the enlargements in 2004, however, there has been a steady increase in the percentage of total New Zealand visitors to Europe visiting the CEECs, as highlighted in Table 2. The table also shows the number of visitors to the three most popular European destinations by New Zealanders, which include the UK, Italy, and France.

*Table 3: NZ visitors to UK and CEECs & their makeup percentage of NZ visitors to Europe.*

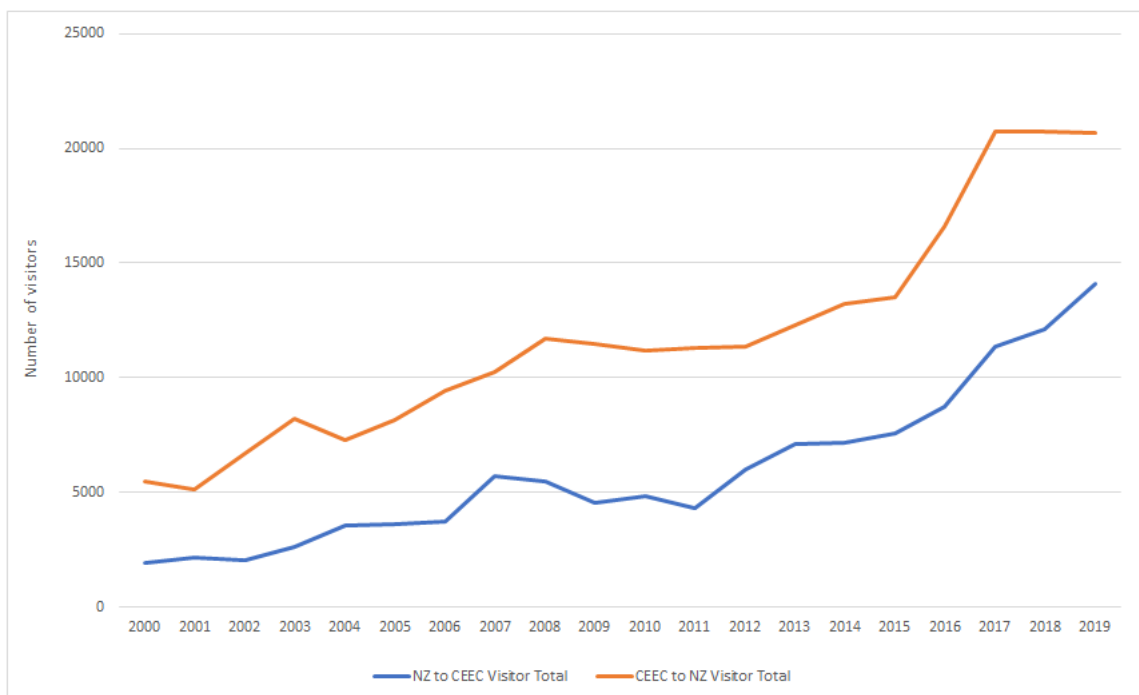
Year	Total visitors to Europe from NZ	Total NZ visitors to UK (% of total)	Total NZ visitors to Italy (% of total)	Total NZ visitors to France (% of total)	Total NZ visitors to CEECs (% of total)
2000	112,840	70,110 (62.13%)	5,969 (5.29%)	6,767 (6.00%)	1932 (1.71%)
2005	149,713	86,377 (57.70%)	9,077 (6.06%)	10,614 (7.09%)	3,644 (2.43%)
2010	167,698	92,294 (55.04%)	10,749 (6.41%)	13,764 (8.21%)	4,813 (2.87%)
2015	213,940	112,140 (52.42%)	16,800 (7.85%)	19,100 (8.93%)	7,560 (3.53%)
2018	263,277	124,803 (47.40%)	23,021 (8.74%)	21,176 (8.04%)	12,146 (4.61%)
2019	279,293	128,960 (46.17%)	24,323 (8.70%)	21,771 (7.78%)	14,092 (5.05%)

*Source: (Statistics New Zealand 2017,2020c)*

Whilst the CEECs data is minor when compared to the UK and other Western European countries, there is a positive and upward trend. The percentage change of New Zealand visitor destinations in Europe between 2000 and 2019 highlights this. As Table 3 clearly shows, the percentage of New Zealanders visiting the United Kingdom, while still considerably higher than the CEECs, dropped from over 62% in 2000 to just over 46% in 2019. In that same time period, the number of New Zealanders visiting the CEECs rose from 1.71% to just over 5%. This percentage is now much closer to the third most popular European destination for New Zealander's than it was 20 years ago, with France and the CEECs respectively comprising 6.0% and 1.71% in 2000; now 7.78% and 5.05%. This increase can indicate that the more the CEECs integrate themselves into an international organisation such as the European Union, and become more visible to third countries and NZ, the more likely people are to travel to these destinations over a more common or typical European destination.

The increase in visitor numbers can be visually emphasised when looking closer at New Zealand visitor data to the CEECs, as shown by Figure 3. Figure 3 represents the total number of New Zealand visitors to all of the CEECs per year, and the total number of CEEC visitors to New Zealand between 2000 and 2019. As the graph shows, visitor numbers from NZ to the CEECs increased almost six-fold over the 20-year time period. This growth was consistent, with the exception of the 2008-2011 time period. This dip in visitor numbers to the CEECs can be accredited to the Global Financial Crisis (GFC) and subsequent European Sovereign Debt Crisis (Eurozone Crisis), which caused a devastating economic recession for the globe, especially so Europe with the Eurozone Crisis. In fact, it has been argued the combined effect of the GFC and the Eurozone Crisis has created a longer-lasting impact on Europe than the Great Depression of 1929 did (Crafts & Fearon 2013). These crises caused European tourism to suffer, as well as New Zealand travel to decrease due to the negative economic effect these crises had globally.

*Figure 3: Total visitors from NZ to the CEECs and from the CEECs to NZ (2000 – 2019)*



*Source: (Statistics New Zealand 2017,2020c)*

Figure 3 also shows that CEEC visitors to New Zealand follows a similar trend to New Zealand visitors to the CEECs, however, the decrease in visitors around the time of the GFC

and Eurozone Crisis was much less severe. This can be explained for a few reasons relating to the economic performances of the CEECs around this time. First, despite joining the European Union, none of the CEECs joined the Eurozone straightaway and some are still yet to join. At the time of the crises, only Slovenia, who joined in 2007, and Slovakia, who joined in 2009 had adopted the Eurozone. Second, literature explains that whilst the GFC caused a rapid drop in the GDPs of the CEECs, there was fast recovery (Schweiger & Visvizi 2018). The Baltic states recovered from the GFC extremely quickly, and some of the bigger countries like Poland and Slovakia also recovered their economic performance relatively quickly (Schweiger & Visvizi 2018, p. 30).

To gauge a better indication on the changes in visitor numbers, both visitors to NZ from the CEECs and visitors from the CEECs to NZ will be examined closer. For the purposes of comparisons and analysis, the CEECs will be split into three different groups to more accurately depict changes in visitor numbers. These groups have been determined from similarities in population, political relations, geography, economy, and EU accession date. These groups will also be used in Chapter 6 when looking at economic relations and shall consist of:

- **East-Central Europe (ECE):** Poland, Hungary, Czechia, Slovakia, and Slovenia.
- **Baltic States:** Latvia, Lithuania, and Estonia
- **South-Eastern Europe (SEE):** Bulgaria, Romania, and Croatia.

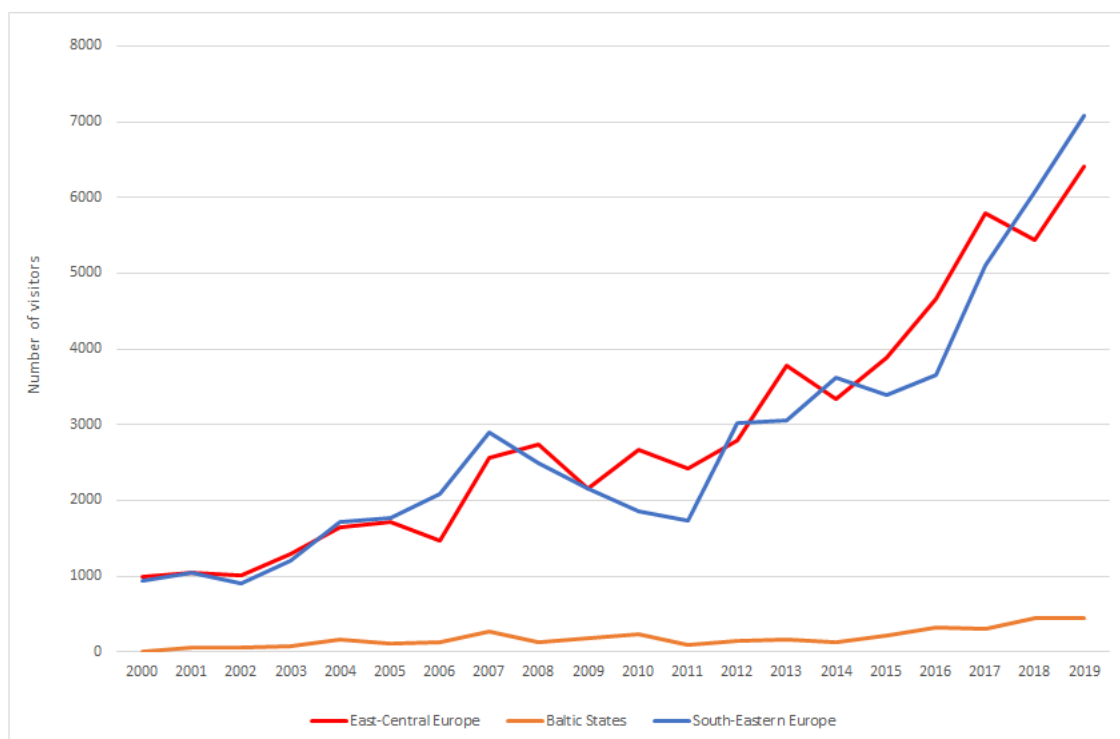
*Table 4: Total visitors from New Zealand to the CEECs*

Year	East-Central Europe					Baltics States			South-Eastern Europe		
	Czechia	Hungary	Poland	Slovakia	Slovenia	Estonia	Latvia	Lithuania	Bulgaria	Croatia	Romania
2000	226	376	364	16	15	0	0	0	85	796	54
2005	598	256	527	162	178	80	26	48	202	1,147	420
2010	959	599	794	238	83	182	52	53	108	1,389	356
2015	1,420	880	1,160	220	200	80	140	60	500	2,200	700
2018	1,832	1,176	1,641	392	406	209	229	188	595	4,676	802
2019	2,386	1,376	1,873	368	405	256	191	154	495	5,486	1,102

Source: (Statistics New Zealand 2017,2020c)

Table 4 highlights the progression of the number of New Zealanders travelling to the CEECs in the time that they have been a member of the EU. Visitations to most CEECs from New Zealand has grown substantially since the year 2000 (which has been included in the table as a pre-accession comparison figure). The three countries that haven't seen as significant of an increase are the three countries that comprise the Baltic States; Estonia, Latvia, and Lithuania. The Baltic States suffer from a lack of tourism, not just from New Zealand visitors, but from the rest of the world also (Baltic Sea Tourism Center 2018). The Baltics lack a few of the core features which attract foreign visitors to a country; including natural resources and cultural heritage sites. There is also a lack of business conferences in the Baltic States which is another key driver of tourism (Baltic Sea Tourism Center 2018).

Figure 4: Total New Zealand visitors to the CEECs by groups (2000 – 2019)



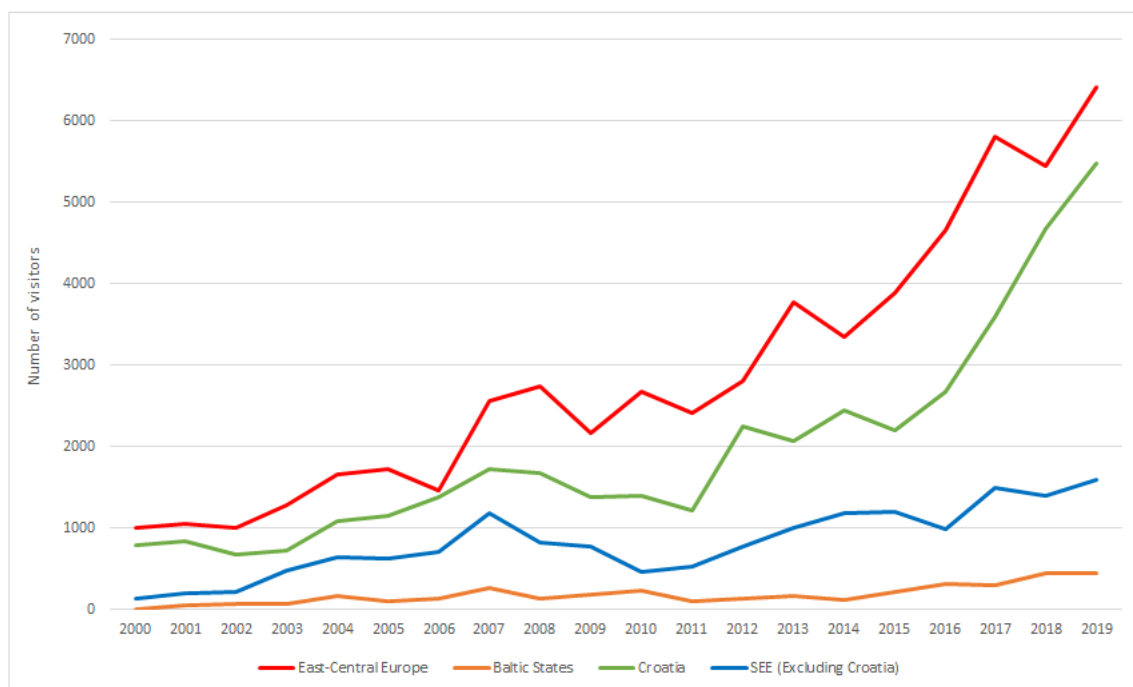
Source: (Statistics New Zealand 2017,2020c)

Figure 4 represents the total number of New Zealanders who stated that one of the countries into the groups listed before was their main country of destination when leaving New Zealand, or main country of stay (after 2018). As can be determined from Figure 4, the countries in the East-Central Europe group and the South-Eastern Europe group have quite consistent and similar levels of visitor number growth. The Baltic States group, whilst

displaying a slight rise in visitor numbers over the 20-year period, is very minimal in comparison for the reasons listed prior.

However, it is interesting to note that the South-Eastern Europe group of countries is being heavily propped up by Croatia. Croatia is a country whose economy relies very heavily on tourism. In 2019, there were over 19.5 million tourists who visited Croatia, totalling over 91 million tourist nights (Croatian National Tourist Board 2020). For context, Croatia is a country with a population size of just over four million as of 2019. Therefore, due to their large tourism industry, it is not surprising that Croatia is the most popular location for New Zealand to visit out of all of the CEECs. To put it in context of the CEECs, Figure 5 highlights the same groupings as Figure 4, with the exception that Croatia is a standalone country and taken out of the SEE group.

*Figure 5: Total New Zealand visitors to the CEECs by groups plus Croatia (2000 – 2019)*



*Source: (Statistics New Zealand 2017,2020c)*

It is also worth noting the potential impact the EU accession process had for Croatia on attracting foreign visitors, such as those from New Zealand. Croatia became an EU candidate country in the middle of 2004 and official negotiations began in 2005. This saw an



immediate increase in visitor numbers from NZ that continued growing consistently until the GFC. However, Figure 5 also shows a substantial visitor spike in 2012 and onwards. This spike in visitors coincides with Croatia’s accession progress. In June 2011, Croatia finished their accession negotiations with the EU, with the country signing Treaty of Accession in December 2011. Croatia then held a referendum in 2012, which showed that 66% of respondents were in favour of EU membership (BBC News 2012). This then led to their EU accession in July 2013.

The period between their negotiation completion and their official accession date saw New Zealand visitors to Croatia almost double. This large spike in visitors to Croatia was not unique to New Zealand, but rather consistent with Croatia’s overall rise in tourism. In fact, according to Eurostat, Croatia’s share of tourism expenditure in relation to their total international trade in service is over 70%; this is sizeable, especially when compared to the overall average of the then 28 Member States of the EU which was 23% (Eurostat 2019, p. 14).

*Table 5: Total CEEC and European visitors to New Zealand*

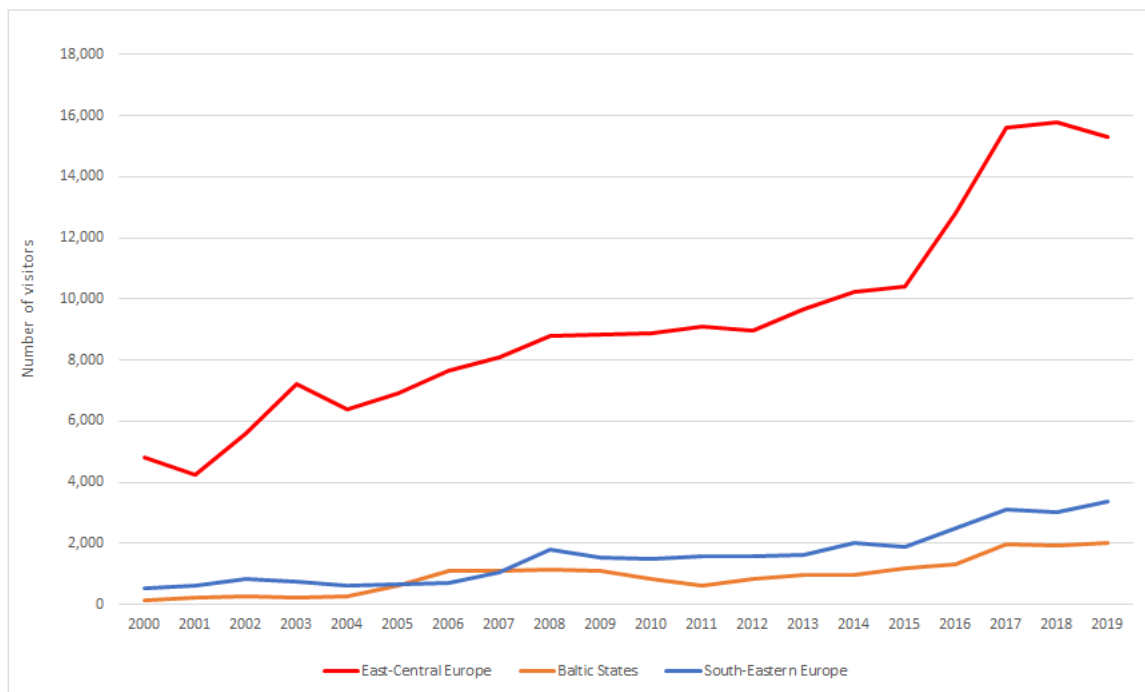
Year	East-Central Europe					Baltic States			South-Eastern Europe			Europe
	Czechia	Hungary	Poland	Slovakia	Slovenia	Estonia	Latvia	Lithuania	Bulgaria	Croatia	Romania	Total
2000	1,985	717	1,317	261	534	30	78	50	32	233	251	365,624
2005	3,163	929	1,742	452	620	253	166	197	185	196	282	513,257
2010	3,605	1,191	2,546	789	748	330	306	204	303	311	863	457,025
2015	3,920	1,312	3,760	912	512	480	480	224	512	480	896	463,152
2018	5,582	1,850	6,008	954	1,392	807	506	616	646	766	1,599	568,169
2019	5,476	1,767	5,931	894	1,226	793	633	593	917	760	1,705	553,151

Source: (Statistics New Zealand 2020b)

Table 5 highlights the total number of visitors from the CEECs to New Zealand, with the total European visitors to New Zealand for comparison. The table emphasises that whilst visitors from the CEECs remain a minor makeup of total visitors from Europe, there has been a gradual increase since the Eastern enlargement. The European countries that exhibits the highest level of visitors to New Zealand are the United Kingdom, Germany, and France with 231,712, 98,050, and 40,777 visitors in 2019 respectively (Statistics New Zealand 2020b).

While New Zealanders travelling to the CEECs is heavily dominated by visitors to Croatia, it is not the same for the reverse. When examining the CEECs visitor data to New Zealand, it is comprised mainly of visitors from the East-Central Europe countries (Poland, Hungary, Czechia, Slovenia, and Slovakia) as shown by Figure 6.

Figure 6: Total amount of CEEC visitors to New Zealand by groups (2000-2019)



Source: (Statistics New Zealand 2020b)

In 2019, the New Zealand Ministry of Business, Innovation, and Employment released that the average expenditure of a tourist in New Zealand is about NZ\$ 3,350 (MBIE 2020). The World Tourism Organisation published that in 2018-2019 the average amount a tourist spends in New Zealand during a visit is NZ\$ 4665 (Lake 2019; UNWTO 2019, p. 21). Therefore, going off of the 2019 visitor numbers in Table 3 (see p. 43), those who visited New Zealand from the CEECs would have generated approximately between NZ\$ 47.71 and NZ\$ 65.74 million. This is almost a fivefold increase from when Petrovic and Barrer (2004) did the same calculation for the 2002 year, with that sum equalling NZ\$ 13.7 million.

## 5.4 Working Holiday Scheme

A working holiday scheme is an agreement which allows people from other countries to come to New Zealand for up to 12-months, or 23-months if the person is coming from Canada or the UK, to have a holiday while also working on the side (Immigration New Zealand 2020). The main requirements are that working is a person's secondary intention, and, a person must have enough money for a return ticket home. This is not a one-way affair. Those countries who have signed an agreement with New Zealand also have a reciprocal scheme, allowing New Zealanders to travel to the countries to holiday and work. All of the CEECs have signed a working holiday scheme with New Zealand, and vice-versa, with the exception of Bulgaria and Romania (see Table in Ch 4). The first working holiday scheme signed between NZ and the CEECs was with Czechia in October 2004, which made New Zealand the first country in the world to sign a working holiday scheme with Czechia (Goff 2004).

There are three aspects of the working holiday scheme that are worth noting. First, there is a yearly quota for the amount of people the respective countries allow to use the scheme. For New Zealand visitors to the CEECs and CEEC visitors to New Zealand, there is a maximum yearly quota of 100 people per country. The exception to this is with Czechia, which started with a quota of 1,000, and was increased in 2010 to 1,200 (McCully 2010). Second, an applicant must be between the ages of 18-30. Third, to be accepted into this scheme, there is a requirement to apply in-person either at the embassy of the country of intended travel, or within said country if already in the country legally. This causes some issues due to the previously mentioned locations of CEEC embassies that are accredited to New Zealand. If a New Zealander wanted to holiday and work in Lithuania, they would need to physically present themselves in the Lithuanian embassy in Tokyo, or at their office in Lithuania if you are already legally there (MFAT 2020). With this, it is realistically only possible for young people in New Zealand to use this scheme to go to Hungary or Poland as they are the only ones with an embassy in New Zealand. This is something that would need to be changed to further social relations with the individual CEECs.

## 5.5 Summary

This chapter has examined various different aspects that all contribute to the development of social relations between New Zealand and the EU, with focus on the CEECs. Prior to the Eastern enlargement, knowledge about New Zealand from the CEECs was very low. The same was true about knowledge the CEECs from NZ, reflected by the NCRE's survey. Post-enlargement, a greater level of social relations started to develop. People-to-people links started to increase via various means including the 2004 Pilot Programme in Higher Education, where exchanges between NZ and a Slovenian university occurred. There were also individual agreements between various Polish universities signed with different universities in New Zealand. Knowledge about New Zealand and its culture started to spread in the CEECs, partly due to presence of New Zealand in cultural festivals. These festivals included the likes of international film festivals, or the Czech Prague Quadrennial. There was also examination into the presence of CEEC diaspora in New Zealand, with a particular focus on the relatively significant Polish and Croatian community. This chapter extensively analysed the development of tourism both ways between NZ and the CEECs since the Eastern enlargement. It highlighted the extensiveness of visitor numbers between NZ and the UK, however, also displaying that there has been an overall increase in the percentage of New Zealanders travelling to the CEECs. This was supported by the growth in visitor numbers displayed throughout the chapter to all of the CEECs, with the exception of the Baltic States. With regards to travel the other direction, this chapter showed that visitors to New Zealand from the CEECs was dominated by the ECE countries, with the SEE and Baltics seeing very similar, but relatively low, levels of growth. Finally, this chapter examined working holiday scheme agreements signed between NZ and the CEECs, for which all but two have implemented such an agreement, however, with limited availability and practicality.

## CHAPTER 6: ECONOMIC RELATIONS

New Zealand's relations with the European Union throughout their history have predominately been focused on trade and economic cooperation, as highlighted throughout the thesis. Over the past couple of decades, other forms of relations such as political and social relations have improved as previously mentioned, however, economic relations remained the core of NZ-EU relations. This chapter will give insight into the context and overview of the economic relations since the Eastern enlargement occurred. Following that, this chapter will then examine the development of economic relations between the three groups listed in Chapter 5 (East-Central Europe, Baltic States, and South-Eastern Europe). Particular attention will be paid to the examination of the development of the trade of goods.

### 6.1 New Zealand's Economic Relations with the European Union

New Zealand citizens and officials often think that New Zealand is a very small country that is heavily dependent on trade. In fact, New Zealand's Ministry of Foreign Affairs and Trade (MFAT) described New Zealand in 2015 as a "...small nation with limited resources, we are dependent on trade to survive" (MFAT 2015). Patrick Köllner (2018) disputes this claim, stating that New Zealand is bigger and less dependent on trade than commonly thought. Köllner argues that with New Zealand's land size being the 75<sup>th</sup> biggest globally (out of 234 countries), it is bigger than the United Kingdom. He also states due to the fact that New Zealand's population was 4.6 million (in 2016), it far from classifies New Zealand as a 'small nation'; especially since the World Bank classifies small states as those with less than 1.5 million inhabitants (Köllner 2018, p. 441). Köllner also disputes that New Zealand is trade-dependent country, as this is defined as "...a country for which exports are very important" (Cambridge Dictionary 2020), which doesn't take into account New Zealand's high amount of imports. Instead, he argues that trade intensity<sup>6</sup> is a better measure than just export propensity (defined as the ratio of exports to GDP), for which, the OECD ranks New Zealand relatively low when compared to other OECD countries (Köllner 2018, p. 441; OECD 2013). This low intensity is largely due to New Zealand's remote location and lack of participation

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<sup>6</sup> Trade intensity is calculated from the sum of exports and imports of goods and services divided by GDP.

in global chains with the exception of the food and agriculture sectors (Köllner 2018). This does not mean that trade is irrelevant and not important for New Zealand at all; rather it puts New Zealand's dependence of trade in a more realistic perspective.

Overall economic relations between New Zealand and the European Union are extensive. As of 2019, which is the latest year with data available at the time of writing, the European Union remains New Zealand's third largest trading partner, as well as being the second largest source of foreign direct investment (FDI) in New Zealand (MFAT n.d.; Statistics New Zealand 2019). Goods and services exported from New Zealand account for approximately 54% of the country's GDP, with half of the exports being comprised of agriculture, horticulture, fishing, forestry, and mining material (EEAS 2020). Tourism also contributes a significant amount to New Zealand's economy, as highlighted in the previous chapter, making up approximately 9% of New Zealand's GDP. As mentioned before, the EU is the second largest source of foreign direct investment in New Zealand behind Australia. FDI from the EU and its member states into New Zealand accounts for approximately 11% of total investment into New Zealand as of 2017 (EEAS 2020). For comparison, Australia's FDI in New Zealand accounts for around 52% of total investments in NZ, and the USA's FDI accounts for around 8% for the same year (EEAS 2020). In terms of NZ\$ amount, as of December 2017, EU FDI in New Zealand amounted to NZ\$ 11.9 billion, whilst NZ FDI in the EU amount to NZ\$ 3.1 billion (EEAS 2020).

Trade in goods between New Zealand and the European Union has intensified over the years, especially with the signing of many agreements to improve trade relations. The EU remains the third largest trading partner to New Zealand behind China and Australia, with New Zealand being the EU's 50<sup>th</sup> largest trading partner (Statistics New Zealand 2019). According to Statistics New Zealand, total trade between NZ and the EU amounted to NZ\$ 16.8 billion in 2019, which comprised NZ\$ 5.3 billion worth of exports from NZ to the EU, and NZ\$ 11.5 billion worth of imports from the EU to NZ (Statistics New Zealand 2019). New Zealand largely exported agriculture to the EU and the EU largely exported manufactured goods to New Zealand (EEAS 2020). Trade in services between New Zealand and the European Union is also extensive. The term *services* covers a large array of activities including, but not limited to, construction, financial services, and insurance. However, it is

travel and transportation that contributes the biggest share of services. Total trade in services amounted to NZ\$ 7.0 billion in 2019, with this comprising of NZ\$ 3.7 billion worth of services exported from NZ to the EU, and NZ\$ 3.3 billion worth of services imported from the EU to NZ (Statistics New Zealand 2019). This data can be compared to previous years in Table 6, which shows there has been an increase in trade for both goods and services over the past five years, however, not a dramatic spike with the exception of imports of goods from the EU.

*Table 6: Total value of exports of goods and services from NZ to the EU, and imports of goods and services from the EU to NZ between 2015 and 2019 (NZ\$ millions)<sup>7</sup>*

<b>Goods</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Exports	5,251	5,041	5,089	5,678	5,341
Imports	8,845	8,827	9,894	10,752	11,546

<b>Services</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Exports	3,447	3,461	3,642	3,657	3,717
Imports	3,170	2,899	3,133	3,285	3,323

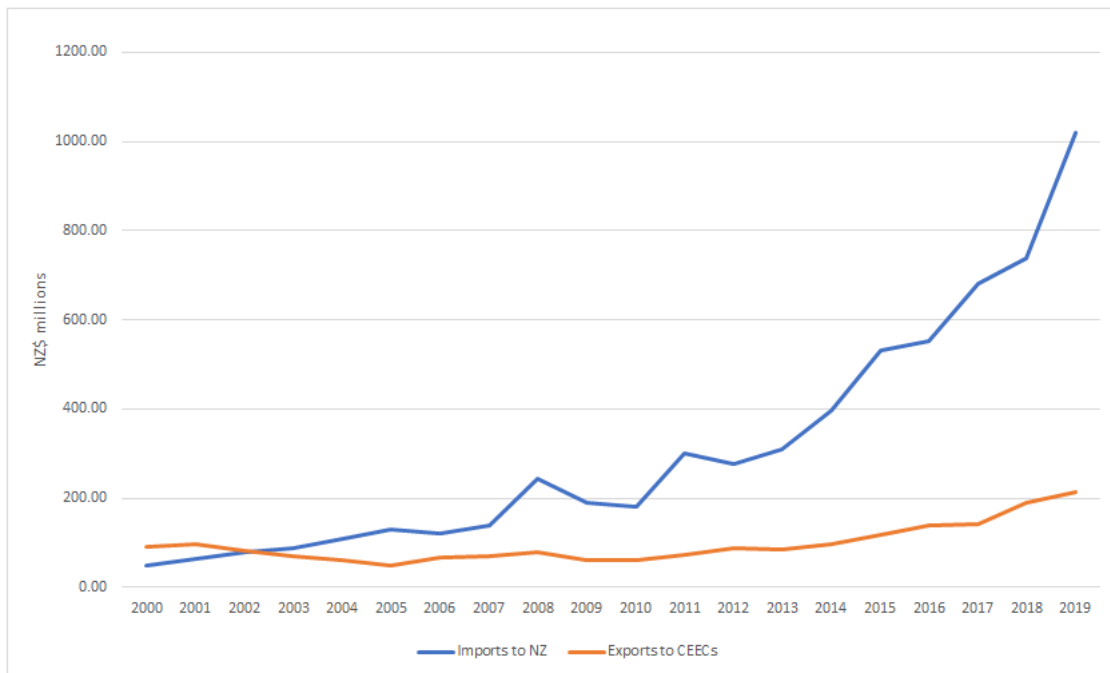
*Source: (Statistics New Zealand 2019)*

To put this in context of the economic relations between NZ and the CEECs, both exports and imports of goods from any CEEC comprises a very small amount of the overall NZ-EU trade relation. When comparing the total trade in goods between NZ and the CEECs to the total trade between NZ and the EU in 2019, trade with the CEECs only amounts to 3.5% of the total. Breaking this down to imports and exports, imports of goods from the CEECs to NZ makes up 4.8% of the total imports from the EU to NZ, while exports from the NZ to the CEECs comprises only 1.5% of the total exports from NZ to EU (Statistics New Zealand 2019,2020a,b). However, while this amount may be minor when compared to the total, it is important to note that these percentages have increased over the past 15 years that the CEECs have been members of the EU; something that will be analysed throughout this chapter.

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<sup>7</sup> Since this data was produced for the year ending December 2019, it still includes the UK as part of the EU.

Figure 7: Total trade value of goods between NZ and CEECs between 2000 and 2019



Source: (Statistics New Zealand 2020a,b)

Figure 7 shows the total value of goods trade between NZ and the CEECs, which includes both exports and imports of goods, from four years before the Eastern enlargement until 2019. As it shows, the most obvious change is the large increase of EU-produced imports into New Zealand, growing from NZ\$ 49.79 million worth in 2000 to NZ\$ 1,018.70 million worth in 2019.<sup>8</sup> It also shows that there was very consistent growth throughout the 20-year time period, with the exception of 2008 to 2011 due to the GFC. New Zealand's economy picked up relatively quickly after the negative effects of the GFC, with growth rates and economic activity continuing to grow due to the rebuild in Canterbury after the Christchurch earthquakes of 2010 and 2011 (New Zealand Treasury 2014). The exports of goods from NZ to the CEECs over the same time period has seen less impressive growth. While there was a more than two-fold increase, growing from NZ\$ 91.60 million in 2000 to NZ\$ 213.65 million 2019, most of this growth came between 2013 and 2018, with relatively minor exports growth rates between 2005 and 2010.

<sup>8</sup> This figure, and the rest of the NZ\$ figures mentioned throughout this chapter for trade in goods include the cost of insurance and freight.



*Table 7: Total trade value of goods between NZ and the CEECs by groups (NZ\$ millions)*

Year	East-Central Europe		Baltic States		South-Eastern Europe		European Union Total <sup>9</sup>	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
2000	44.28	29.70	1.07	57.05	4.44	4.86	5383.89	4571.72
2005	118.17	24.32	2.74	12.27	9.66	13.69	6989.51	4863.13
2010	163.12	32.77	6.11	18.85	12.05	10.84	6220.23	4996.08
2015	428.84	55.75	33.03	42.33	68.95	19.87	9301.80	5250.65
2018	601.22	128.79	59.60	35.02	77.34	25.72	11270.72	5677.60
2019	826.10	143.35	78.87	37.69	113.74	32.62	12064.98	5340.69

Source: (Statistics New Zealand 2020a,b)

Exports of goods from New Zealand to the CEECs largely remained constant and even for all three groups until 2014. After 2014, New Zealand started to export significantly more to the East-Central European countries, a trend which continued until at least 2019. The breakdown of why trade increased with what commodities will be analysed later in the chapter. There was a similar trend for imports of goods, with the East-Central Europe group making up the majority of imports from the CEECs, especially since 2011. While the East-Central Europe group may provide the majority of imports from the CEECs to New Zealand, the other two groups have seen a gradual rise since 2013, with the data indicating this will likely increase due to the commodities which are being imported, which will be discussed in the relevant sections.

The CEECs have seen a considerable rise in their economies over the past two decades, especially so for the ECE countries, which largely stemmed from neoliberal reform in the CEECs throughout the 1990's. These reforms were widely expected to be short-lived, however, the reforms have not only survived from government-to-government, but many CEECs went beyond what the EU demanded of them (Vachudova 2005). Even countries that were reluctant to liberalise their economy, such as Slovakia, still implemented reforms. The introduction of the CEECs to the world's largest internal market, as well as the post-communist economic growth achieved from the neoliberal reforms, allowed prosperity within the economies of the CEECs (Appel & Orenstein 2018). The reforms also resulted in a

<sup>9</sup> Since this data was produced for the year ending December 2019, it still includes the UK as part of the EU.

higher standard of living, which increased the amount the people within the CEECs spent, as well as a higher level of business confidence and significant increase in GDP. The improvement of the economic systems of the CEECs majorly impacted their economic and trade relations with external countries.

There are some trends that emerge when examining the economic relations between NZ and the CEECs, especially with the ECE countries. Between 2000 and 2008, all of the CEECs saw a dramatic spike in their GDPs, with the majority of the CEECs experiencing a three or four-fold increase. Romania accomplished the largest percentage increase, seeing an almost six-fold increase. In terms of highest figures, the ECE countries saw the largest GDP figures, with Poland's reaching the highest, growing from USD 171.9 billion to 533.8 billion in the eight-year period. Every CEEC experienced a drop in GDP following the GFC and Eurozone Crisis, however, almost all countries have since recovered and GDP levels as of 2019 remain close to or have surpassed 2008 levels.

Regarding trade in goods between New Zealand and the CEECs, there are some common trends especially since 2015. Imports from the CEECs severely outweigh exports from New Zealand. The top three commodities imported from the CEECs consist of vehicles, machinery, and electrical machinery. The total value of goods imported from the CEECs in 2019 was NZ\$ 1,019 million, and of this amount, NZ\$ 354 million was from vehicles, NZ\$ 150 million was from machinery, and NZ\$ 132 million was from electrical machinery. Many of the CEECs specialise in the production and manufacturing of machinery and vehicles. During the reforms of 1990s, many uncompetitive Soviet-era industries ceased to exist. However, the manufacturing industry recovered well, which largely stemmed from an influx of FDI from Western Europe (Naudé, Surdej & Cameron 2019). The reason that there was this investment into the CEECs was the attractiveness of high skills but lower labour costs, something that continues to occur as of 2020. The main countries that have seen the largest increase in manufacturing capabilities are the ECE countries of Czechia, Poland, and Hungary. Slovakia and Slovenia, whilst being categorised in the ECE group, did not see the same level of growth. Due to the more intensive relations that New Zealand had with the ECE countries listed above, these countries economic relations with NZ will be examined individually, whilst the other groups will be analysed at a group level.

With cars making up the biggest bulk of imports from the CEECs, it is important to establish why. First, New Zealand has a very high cars-to-people ratio. According to the Motor Industry Association in 2018, New Zealand sits third highest globally on a list of vehicles per capita, with 860 vehicles per 1,000 people. This is only behind San Marino and Monaco, which are both classified as microstates, with populations of 33,400 and 38,695 respectively (Motor Industry Association 2020). Since 2009, Western Europe has also seen a decline in manufacturing plants, with the trend shifting towards Central and Eastern Europe for the reasons listed before.

While the value of goods exports from NZ to the CEECs are minor when compared to imports, there has been a marginal but gradual rise since the Eastern enlargement, especially since 2014. The top commodities that are exported are fish, wool, and beverages. The total value of exports of goods from New Zealand to the CEECs in 2019 was NZ\$ 213.65 million, and of this number, NZ\$ 61 million was from fish, NZ\$ 50 million was from wool, and NZ\$ 22 million was beverages. However, it is worth noting that the value of services that New Zealand exported to the CEECs was worth approximately NZ\$ 70 million. Similar to imports, the ECE countries will be examined individually due to their higher level of economic relations. This will be contrary to the analysis of the Baltic States and South-Eastern Europe, which will be examined under a joined subsection and at a broader level.

## 6.2 New Zealand's Economic Relations with East-Central Europe

The imports of goods from the ECEs comprises the biggest makeup of economic relations between NZ and the CEECs, growing from NZ\$ 44.28 million in 2000 to NZ\$ 826.10 million in 2019. In the past five years, the growth rate of the value of imports has grown exponentially, which has more than doubled the 2014 import value of NZ\$ 340.38 million.

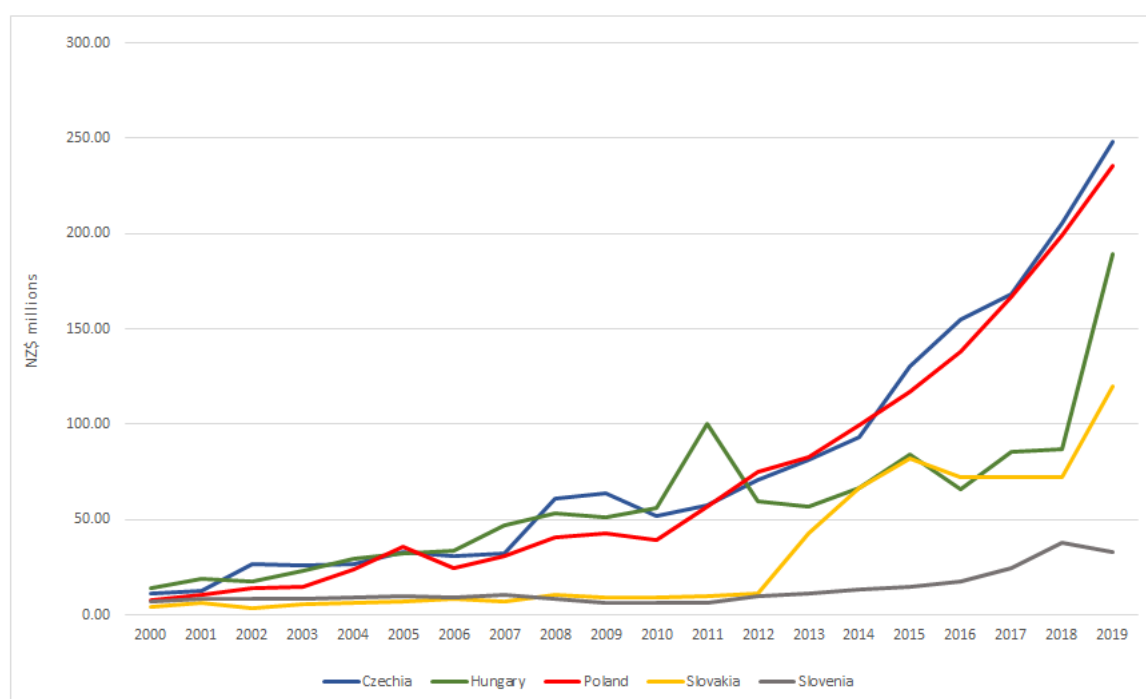
Table 8: Imports and exports of goods between NZ and the ECE countries (NZ\$ million)

Year	Czechia		Hungary		Poland		Slovakia		Slovenia	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
2000	10.97	2.90	14.05	2.18	7.89	22.13	4.10	0.91	7.27	1.58
2005	32.97	1.90	32.40	1.71	35.94	15.48	6.92	0.16	9.94	5.07
2010	51.98	7.17	55.90	12.99	39.56	11.59	9.18	0.39	6.50	0.63
2015	130.13	12.79	84.26	1.64	117.27	37.29	82.33	0.63	14.85	3.40
2018	205.46	40.08	86.90	7.13	198.98	70.01	71.95	8.82	37.93	2.75
2019	248.12	42.35	189.63	8.39	235.84	80.81	119.73	9.33	32.78	2.47

Source: (Statistics New Zealand 2020a,b)

Figure 8 highlights the imports from the East-Central European countries to New Zealand, broken down by country. As visible, imports from Poland and Czechia have grown relatively consistent with one another, whilst Hungary and Slovakia have showed a mixed and inconsistent level of growth, with Slovenia showing a low level of growth. However, despite the ECE countries displaying the highest proportion of all imports from the CEECs, this amount remains very minimal when compared to the total EU imports to New Zealand. This is due to imports from the ECE countries comprises approximately only 0.07% of all imports from the EU to NZ (Statistics New Zealand 2020b).

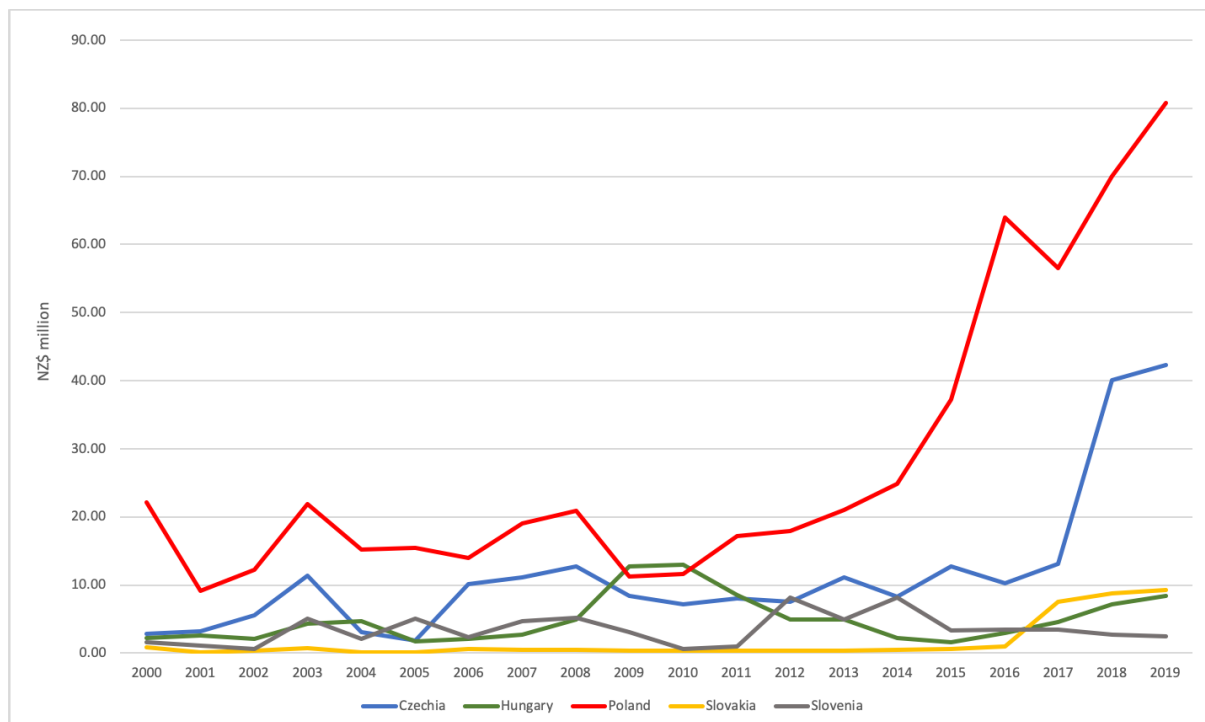
Figure 8: Import value of goods from the East-Central Europe Group to New Zealand



Source: (Statistics New Zealand 2020b)

While the value of goods imports is significantly higher than exports, in the past five years the value of exports of goods from New Zealand to the ECE countries has seen a significant spike, increasing from NZ\$ 44.05 million in 2014 to NZ\$ 143.35 million in 2019. Therefore, it is important to analyse what has caused the recent surge in exports to determine whether it is likely that this exponential growth trend will continue into the future, especially since the ECE group is the main export destination for New Zealand out of all the CEECs.

Figure 9: Export value of goods from New Zealand to East-Central Europe



Source: (Statistics New Zealand 2020a)

### Czechia

The import of goods from Czechia to New Zealand have gradually increased, with a sharp and consistent increase since 2010. The value of Czechia’s imports to New Zealand has increased from NZ\$ 26.26 million in 2004 to NZ\$ 248.12 million in 2019, of which, NZ\$ 193.86 million is comprised of vehicles and *machinery, parts, and accessories*. The reason that *machinery, parts, and accessories* is so vague is due to the lack of any specific good in that grouping making up the bulk of the imports. There have been a few exceptions to this. For example, in 2009, New Zealand imported NZ\$ 9.31 million worth of electric generating sets from Czechia, and in 2015 New Zealand imported NZ\$ 8.04 million worth of

gas turbines. However, for the majority of the time period listed, there is no one-good making up the majority of the *machinery, parts, and accessories* grouping. New Zealand started importing more and more cars from Czechia since 2010, coinciding with Czech-owned Škoda acquiring a new CEO with a plan to double the company's sales by 2018. This led to a bigger presence of Škoda cars globally, including exporting more towards the Asia-Pacific market. As of 2019, Czechia sits at eighth for new car imports to New Zealand (Smith 2020).

Czechia also saw a sharp increase in the value of goods they imported from New Zealand after 2017. This largely came from a small number of commodity categories, mainly wool. In 2014, Czechia only imported around NZ\$ 8,000 worth of wool from New Zealand. However, in 2018 and 2019, Czechia imported just over NZ\$ 24 million worth of wool from NZ. At the same time, New Zealand saw a small increase of their machinery exports to Czechia, increasing from NZ\$ 5.02 million in 2014 to NZ\$ 7.29 million. New Zealand also exported NZ\$ 6.56 million worth of food, residue and waste, and prepared animal fodder, up from a meagre NZ\$ 2,000 in 2014.

## **Hungary**

The import of goods from Hungary to New Zealand has seen a less consistent and lower level of growth when compared to Czechia and Poland. Whilst the import value from Hungary has grown from NZ\$ 29.17 million in 2004 to NZ\$ 189.63 million in 2019, there have been a large amount of inconsistencies and outliers throughout this period (Figure 8). The importing of cars from Hungary has seen a spike in recent years, from NZ\$ 10.4 million worth of vehicles imported in 2018 to NZD \$74.1 million worth in 2019 (Statistics New Zealand 2020b). While Hungary doesn't produce many of its own brand cars, it does house manufacturing plants for other car companies, such as Audi and Mercedes-Benz (HIPA 2018). Throughout the time that Hungary has been a member of the European Union, there have been some considerable outliers when it comes to imports to New Zealand. In 2011, New Zealand imported NZ\$ 65.7 million worth of machinery, and of this value, over half was comprised of electric generating sets. However, this was the first time New Zealand had ever imported this good from Hungary, and NZ only did so again once in the future,

amounting to approximately NZ\$ 1 million. New Zealand has also somewhat regularly imported computers from Hungary, such as around NZ\$ 7 million worth in 2008, NZ\$ 6 million in 2012, and NZ\$ 5 million in 2015. Between 2008 and 2012, New Zealand also imported approximately NZ\$ 40 million worth of broadcasting equipment from Hungary.

The value of goods exports from New Zealand to Hungary remains surprisingly low, especially when considering the value of trade in the other direction, plus the sheer size of Hungary. Exports to Hungary did see an increase between 2008 and 2012, however, this was almost exclusively comprised of one commodity: iron or steel articles. For example, in 2009, total exports from NZ to Hungary were valued at NZ\$ 12.79 million, and of that amount, NZ\$ 10.31 million was iron or steel articles. The exports of iron or steel articles essentially stopped after 2012, but has since resumed as of 2018 and 2019, with NZ\$ 1.24 million and NZ\$ 2.61 million worth being exported in the respective years, explaining the slight positive increase. However, it must be noted that this may be a one-off increase and the trend may not continue.

## **Poland**

The import of goods from Poland to New Zealand have grown at a rapid rate that is very similar to that of Czechia. The value of goods imports from Poland has risen from NZ\$ 23.90 million in 2004 to NZ\$ 235.84 million in 2019. Much like Czechia and Hungary, New Zealand imports a small quantity of a large range of machinery. Of the machinery grouping, gas turbines have consistently been one of the bigger commodities imported, followed by harvesting machinery then cranes. Cars and trucks imports have been inconsistent throughout Poland's time in the EU, with rapid spikes and decreases occurring. In 2004 and 2005, NZ imported NZ\$ 5.7 million and NZ\$ 12.3 million worth of cars respectively, but in 2006, NZ only imported NZ\$ 175,000 worth of cars. Between 2006 and 2016, truck imports were also higher than car imports. There is one key outlier in 2016, when New Zealand imported NZ\$ 32.6 million worth of passenger and cargo ships. While Poland does have a significant vehicle industry, a large amount of this are commercial vehicles. As well as this, the car companies that operate manufacturing plants within Poland are largely brands that are not popular in New Zealand, such as Fiat, Opel, and Volvo (Ferrazzi 2012, p. 25; Motor Industry Association 2020).

The main commodity that New Zealand exports to Poland are fish fillets, making up over 70% of total exports in 2019. New Zealand has been exporting fish fillets to Poland since they joined the European Union, however, prior to 2011, it was a relatively small quantity. Post-2011, fish fillets have remained the single biggest commodity exported, and the amount has increased every year since, growing from NZ\$ 2.07 million worth in 2010 to NZ\$ 57.36 million worth in 2019. There have also been other commodities that have seen an increased level of exports from New Zealand since 2014 which also aids in explaining the high level of growth. Iron and steel articles, machinery, and beverages and spirits have all seen an increase in exports to Poland; all growing from around NZ\$ 1 million in 2014 to NZ\$ 4 million in 2019. There were also two outliers in 2016. First, when Poland imported NZ\$ 11.60 million worth of casein from New Zealand. Second, when Poland imported two ferries from New Zealand, accounting for just under a third of total imports for 2016 (NZTE 2018).

### **Slovakia and Slovenia**

Imports from Slovakia to New Zealand are an outlier of the East-Central Europe group. The value of imports has increased significantly from NZ\$ 6.11 million in 2004 to NZ\$ 119.73 million in 2019. However, the vast majority of this growth only occurred in 2013 and beyond, with import values in 2012 only reaching NZ\$ 11.11 million. As highlighted by Figure 8, between 2012 and 2015, imports from Slovakia increased at a very rapid rate; growing from NZ\$ 11.11 million in 2012 to NZ\$ 82.33 million in 2015. The major commodity imported from Slovakia is cars. Slovakia is the 20<sup>th</sup> biggest car manufacturer globally and has highest level of cars produced per capita. New Zealand also imports some machinery from Slovakia; however, vehicle imports have made up between 70-80% of all goods imports from Slovakia since 2013.

Slovakia produces passenger vehicles that are commonly sold in New Zealand such as the Volkswagen, Kia, and Land Rover. There are a few main reasons for the sharp increase in car imports from 2013 onwards. In 2012, Volkswagen invested €308 billion in their Bratislava plant which resulted in a 122% increase in car production that year, producing approximately 400,000 cars for the 2012 year (Cienski 2012). Kia also saw a large increase in



production, and therefore a boost in global exports, in 2012 due to the addition of a third shift at their Zilina plant to produce more popular cars such as the Sportage; which remains a very popular car in New Zealand as of 2019 (Maetzig 2019; Nedelea 2012). Also, as mentioned previously, New Zealand has one of the highest car ownership rates per capita globally. The large increase in production in Slovakia, which also coincided with a boost in car sales in New Zealand from a spike in net migration, resulted in a large upwards trend of car imports from Slovakia (Ministry of Transport 2016). This is expected to continue, as in 2018, Jaguar Land Rover opened a new manufacturing plant in Slovakia to produce the Discovery and Defender cars (Mullen 2019).

Slovakia is the other country in the ECE group that has seen a relatively sharp increase of New Zealand exports in previous years. In 2016, New Zealand only exported NZ\$ 0.94 million worth of goods to Slovakia. However, in 2017, this number rose to NZ\$ 7.57 million and has continued to rise; reaching NZ\$ 9.33 million in 2019. This rise mainly came from an increase in exports of two commodities: raw hides and leather, and machinery. In 2018, New Zealand exported NZ\$ 8.82 million worth of goods to Slovakia and of this, NZ\$ 8.11 million was raw hides and leather. In 2019, New Zealand exported NZ\$ 3.91 million worth of raw hides and leather, and NZ\$ 3.92 million worth of machinery.

In terms of the imports of goods into New Zealand, Slovenia is the outlier of the ECE group. Between 2000 and 2012, the value of imports from Slovenia only increased from NZ\$ 7.27 million to NZ\$ 9.49 million. It has since increased at a somewhat steady rate, reaching NZ\$ 37.93 million in 2018. The commodities imported largely follow the trend of the ECE countries, with machinery comprising the bulk of imports, specifically electric heaters, harvesting machinery, and washing machines. However, New Zealand does not import vehicles from Slovenia, with the exception of 2018 where NZ imported NZ\$ 10.68 million worth. Exports from New Zealand to Slovenia have been inconsistent and low since the Eastern enlargement. For the duration Slovenia have been a member of the EU, approximately 70-80% of all exports from NZ to Slovenia have consisted of iron structures.

## 6.3 New Zealand's Economic Relations with the Baltic States and South-Eastern Europe

### Baltic States

The Baltic States and the South-Eastern Europe groups both have a very similar level of trade with New Zealand, albeit, relatively small when compared to the East-Central Europe group. Regardless of this, there has been an upwards trend in trade, especially from imports of goods to New Zealand, within the past five years.

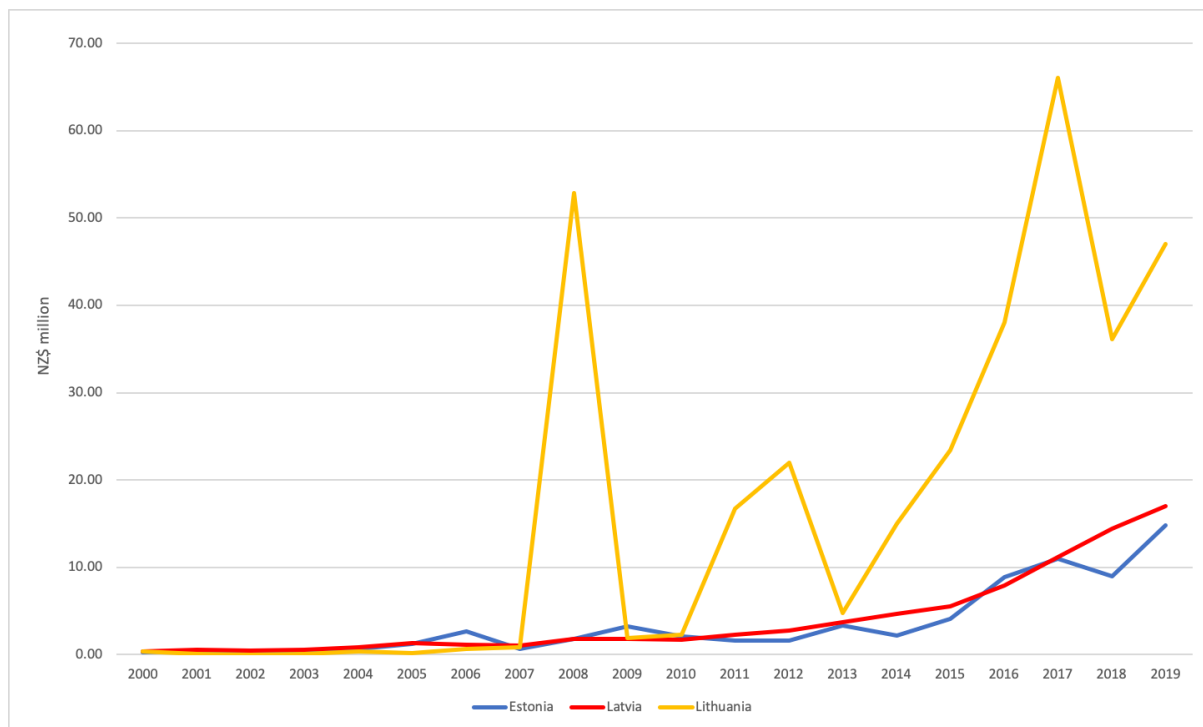
*Table 9: NZ imports from the Baltic States and NZ exports to the Baltic States between 2000 and 2019 (NZ\$ million)*

Year	Estonia		Latvia		Lithuania	
	Imports	Exports	Imports	Exports	Imports	Exports
2000	0.30	0.21	0.40	56.39	0.37	0.45
2005	1.20	2.42	1.33	2.39	0.21	7.46
2010	2.12	2.69	1.74	4.37	2.25	11.79
2015	4.13	3.33	5.52	8.24	23.38	30.76
2018	9.00	5.24	14.46	14.34	36.14	15.44
2019	14.86	4.88	17.01	17.37	47.00	15.44

*Source: (Statistics New Zealand 2020a,b)*

In the past decade, the trend of commodities imported from the Baltic States to New Zealand has consisted of fertilizers, followed by machinery and electrical machinery. In terms of exports from NZ to the Baltic States, the general trend over the past decade has been wool and beverages. New Zealand's goods imports from the Baltic States have mainly been comprised of imports from Lithuania, with both Latvia and Estonia being comparatively low. However, Latvia and Estonia both show very similar level of trade value to one-another, including displaying a positive growth trend since 2014. While imports from Lithuania are much higher than the rest of the countries, it is very inconsistent and still a minor amount when compared to the CEEC group as a whole, emphasised by Figure 10.

Figure 10: Imports from the Baltic States to New Zealand (2000-2019)

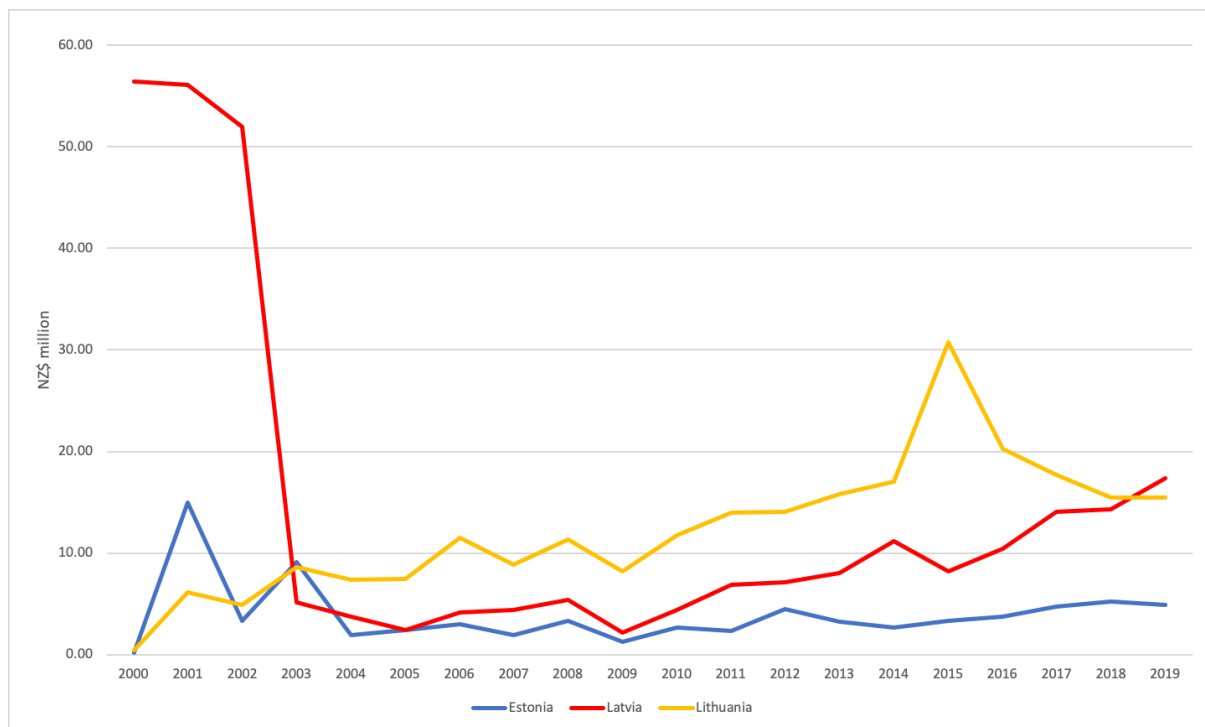


Source: (Statistics New Zealand 2020b)

The vast majority of the import value of goods from Lithuania comes from two commodities; those being petroleum and fertilizers. New Zealand imports its fuel from whatever source globally sells it for the cheapest price. Prior to 2008, NZ had never imported petroleum from Lithuania. In June 2008 however, Lithuania had the cheapest petroleum available, so New Zealand imported NZ\$ 50.24 million worth of it. Since then, New Zealand has only imported a miniscule amount of petroleum from Lithuania. In 2011, New Zealand started to import fertilizers from Lithuania and has been the primary commodity imported since. The amount imported between 2011 and 2019 has been somewhat consistent, fluctuating between NZ\$ 13 and 22 million worth, with two major exceptions. First, in 2013 and 2014, no fertilizers were imported. Second, in 2017, New Zealand imported NZ\$ 41.60 million worth of fertilizers, as well as a one-off NZ\$ 6.15 million worth of sugar. This largely explains the large spike of NZ\$ 66.03 million in 2017. In recent years, there has also been a slight increase in imports of inorganic chemicals, as well as clothing and apparel.

Latvia and Estonia, as previously mentioned, have a comparatively low amount of import value, but both have seen an increase in exports to New Zealand since 2014. New Zealand, much like Lithuania, imports some commodities from Latvia and Estonia on a one-off basis when a specific good is cheap. This includes importing NZ\$ 3.02 million worth of meat from Estonia in 2017 and NZ\$ 3.06 million worth of sugar from Latvia in 2019. However, on top of the one-off imports, there have also been a few commodities that have seen a consistent level of growth over the past five years. For Estonia, New Zealand has been increasing their import levels of machinery, electrical machinery, and furniture. For Latvia, New Zealand has seen an increase in imports of electrical machinery as well as wood, which has grown from NZ\$ 1.03 million in 2013 to NZ\$ 4.34 million in 2019.

*Figure 11: Exports from New Zealand to the Baltic States (2000-2019)*



Source: (Statistics New Zealand 2020a)

The exports of goods from New Zealand to the Baltic States is much lower than trade the other direction. For the duration that the Baltic States have been a member of the European Union, the value of exports has seen some marginal levels of growth, but inconsistently. Exports to Estonia have largely remained the same since 2004. There is no one commodity that makes up the bulk of New Zealand’s exports to Estonia. Instead it is comprised of a

number of goods which largely don't surpass NZ\$ 1 million per year; such as wool, wine, and sheep meat. Exports from New Zealand to Lithuania have marginally increased since their EU accession. The main commodity exported is wool, which has comprised 80-90% of all exports of all goods to Lithuania for the past decade. Exports to Lithuania also saw a spike in 2015 due to a one-off exportation of fishing ships worth NZ\$ 9.79 million. Latvia, much like Lithuania, imports mainly wool from New Zealand. Wool has comprised between 70-90% of all NZ goods exports to Latvia since their EU accession. Prior to their EU accession, between 1998 and 2003, New Zealand was exporting a significant quantity of butter to Latvia. However, this ceased in 2003 when NZ started exporting their butter to other EU member states, including Denmark, Belgium, and Luxembourg.

### South-Eastern Europe

The South-Eastern Europe group, similar to the Baltic States group, has a minimal level of trade in goods, especially when compared to the ECE countries. There has been an overall upwards trend in trade, particularly within the past five years. However, this is inconsistent, with imports outweighing exports significantly which will be examined below.

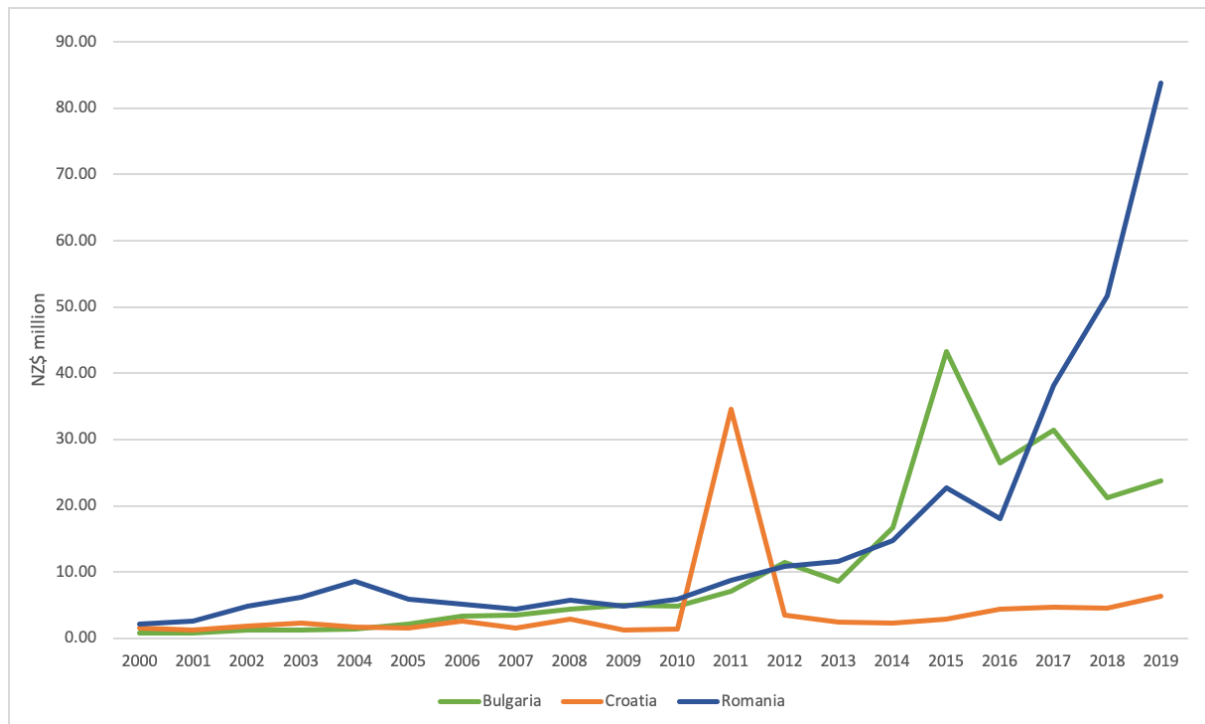
*Table 10: NZ imports from South-Eastern Europe and NZ exports to South-Eastern Europe between 2000 and 2019 (NZ\$ million)*

Year	Bulgaria		Croatia		Romania	
	Imports	Exports	Imports	Exports	Imports	Exports
2000	0.75	1.51	1.59	0.22	2.10	3.13
2005	2.11	5.18	1.57	5.41	5.98	3.10
2010	4.81	3.62	1.37	3.27	5.87	3.95
2015	43.20	8.24	2.97	2.66	22.78	8.97
2018	21.20	13.47	4.51	3.02	51.64	9.24
2019	23.74	20.14	6.30	1.48	83.70	11.00

Imports from the South-Eastern European countries are small. As visualised by Figure 12, until 2010, imports of goods to NZ marginally surpassed NZ\$ 5 million for all three countries. Croatia saw a comparatively large spike in 2011, caused by New Zealand importing NZ\$ 19.10 million worth of gas turbines and NZ\$ 12.65 million worth of electrical

transformers from Croatia. New Zealand has not imported these goods from Croatia since. Croatia is one of the few countries in the CEECs that hasn't seen some substantial level of positive growth in import value in the past five years. New Zealand does import some machinery, leather footwear, and self-adhesive plastics from Croatia, but this amount remains quite marginal.

*Figure 12: Total value of goods imported from South-Eastern Europe to New Zealand*

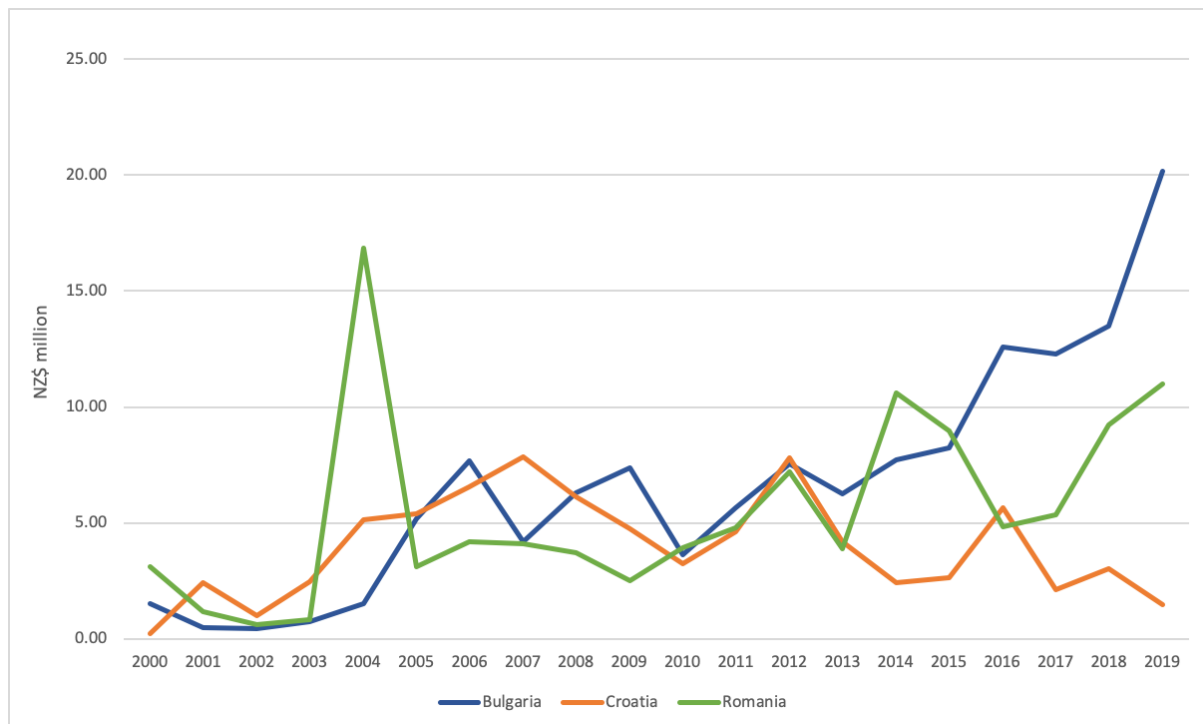


Source: (Statistics New Zealand 2020b)

Imports from Bulgaria to New Zealand have also largely been inconsistent with the commodities traded. There has been a range of machinery and minerals traded, but no one-good has dominated the trade, with the exception of corn between 2014 and 2016. In 2015, New Zealand imported NZ\$ 26.70 million worth of corn from Bulgaria in a year where total imports from Bulgaria amounted to NZ\$ 43.20 million. After 2016, however, imports of corn from Bulgaria completely stopped. At the same time, imports of corn from Romania started to surge. Imports of corn from Romania went from zero in 2016 to NZ\$ 46.41 million in 2019. The import value of machinery also increased from NZ\$ 2.08 million in 2015 to NZ\$ 8.62 million in 2019; and electrical machinery rose from NZ\$ 3.52 million to NZ\$ 9.73

million in the same time period. This explains the large spike of imports of goods from Romania between 2016 and 2019.

*Figure 13: Total value of exports from New Zealand to South-Eastern Europe*



Source: (Statistics New Zealand 2020a)

Exports from New Zealand to the South-Eastern European countries is miniscule in comparison to overall exports to the CEECs. As displayed by Figure 13, the value of exports has been very inconsistent. Romania and Bulgaria have had a slight increase since they joined the EU in 2007, more so Bulgaria. In 2004, New Zealand exported NZ\$ 15.30 million worth of aircraft parts to Romania. Since then, exports have largely consisted of raw hides and skins. Bulgaria has seen some positive, but overall limited, levels of growth of export value, especially since 2015 onwards. This has largely stemmed from an increase in exports of spirits and beverages, increasing from NZ\$ 1.71 million in 2015 to NZ\$ 3.59 million; as well as an increase in wool exports from NZ\$ 1.24 million to NZ\$ 8.62 million in the same time period. Croatia has seen a decrease since they acceded in 2013, with the main commodities exported from New Zealand being molluscs, sheep meat, and some machinery.

## 6.4 Summary

This chapter has provided an insight into the development of economic relations between New Zealand, the EU, and the CEECs since the Eastern enlargement. It is commonly thought that New Zealand is a small country that is very dependent on exports to prosper. Whilst this isn't an inaccurate sentiment, it is worth noting that NZ is bigger than many think, with imports also playing a significant role in NZ's economy. New Zealand has strong economic relations with the EU, witnessing high levels of FDI and trade in goods and services. In terms of the CEECs, trade is minimal in comparison but has seen an increase since the Eastern enlargement, particularly imports from the CEECs to NZ, which was over NZ\$ 1 billion in 2019. Within the CEECs, the East-Central Europe group comprises the majority of imports and exports of goods, with a significant spike in growth since 2014, with the common trends of goods imported from these countries are vehicles and machinery. One of the main reasons for this trend is from the economic reforms that started prior to the Eastern enlargement, which went further than many expected. This led to an eastward shift of manufacturing through a large amount of FDI from Western Europe into the CEECs. While imports from the ECE countries remain the highest out of the CEECs, the Baltic States and South-Eastern European countries see relatively low levels of trade, with the majority of trade from the Baltic States coming from fertilizer imports from Lithuania. Exports of goods to both the SEE and Baltic State groups have been consistently low and inconsistent since the Eastern enlargement, with an overall slight upward trend.



## CHAPTER 7: DISCUSSION AND CONCLUSION

This thesis' research question asks the following: *How have the 2004, 2007, and 2013 EU Enlargements impacted the political, social, and economic relations between New Zealand and the post-communist Central and Eastern European EU Member States?* The answers to this research question was conducted through three aspects and examined individually. This consisted of independently analysing the development of political relations, social relations, and economic relations between New Zealand and the CEECs. This chapter will summarise the analysis from the previous chapters and highlight the concluding factors from each and finish by presenting any limitations within this research and displaying any potential for further study.

### 7.1 Recapitulation of findings

Since the Eastern enlargement, relations between New Zealand and the CEECs have improved. Relations, in all aspects, can be considered marginal and minor in comparison to other members of the EU. However, there has been a sizeable amount of growth in relations when compared to pre-accession levels. It is also important to note that NZ-EU relations in all aspects have grown considerably since the Eastern enlargement. Any decision and agreement made between NZ and the EU can directly impact the CEECs as they are members of the Union.

The examination of the political relations in Chapter 4 has shown that relations between New Zealand and the EU has grown relatively rapidly. This is especially so since the 1999 Joint Declaration came into effect, which was signed due to the efforts that NZ put towards building a relationship throughout the latter half of the 20<sup>th</sup> Century. The 1999 declaration led to action on previous important agreements and was majorly boosted in 2007. The 2007 agreement heavily focused on political and security issues, which has shaped how the NZ-EU relationship looks today. This includes being the foundation that the current PARC agreement was built from. The opening of an EU office, and now Delegation, in New Zealand solidified and furthered New Zealand's relationship with the EU. New Zealand and the EU are also currently on track to produce a free trade agreement. Since the Eastern

enlargement, there has been a significant increase in ministerial and head of state visit to and from New Zealand. Every NZ Prime Minister since 2004 has visited Brussels and met with the respective Presidents within the EU. There has also been a steady increase of ministerial visits to and from NZ and the CEECs, something that has seen a rapid rise in the past five years, shown by Table 1 (p. 26). Comparing the level of physical representation between New Zealand and the CEECs through embassies does highlight an area of weakness. Since the Eastern enlargement, New Zealand opened an embassy in Poland in 2005, and Hungary opened an embassy in New Zealand in 2017, making them the second CEEC to have an embassy in NZ alongside Poland. However, despite the opening of two new embassies, it still remains that the majority of CEECs don't have any form of direct representation, which can limit the amount that relations can grow.

Analysis of social relations in Chapter 5 has highlighted that since the Eastern enlargement, there has been an overall improvement in social relations between New Zealand and the CEECs. Prior to the 2004 round of EU enlargement, knowledge about the CEECs from New Zealand was very minimal, as displayed by Figure 1. Lack of knowledge of a country does have a negative impact on relations, especially that of people-to-people links and tourism. Since the start of the CEECs accessions to the EU in 2004, there has been a rise in a variety of aspects of social relations. The 2004 agreement signed between NZ and the EU led to an increase in university exchange programmes, including a programme between NZ universities and the University of Ljubljana in Slovenia. There has also been development of individual partnerships between Polish and New Zealand universities. A boost in knowledge of NZ and CEECs respectively has also been increased via the means of cultural and art. This has largely been attributed to the displaying of films at international film festivals, and art displays such as the Prague Quadrennial.

There remains in New Zealand a sizeable CEEC diaspora community, largely through Poland, Hungary, and Croatia. Poland and New Zealand share a history that extends back to World War II when NZ accepted refugee children. Hungarian diaspora primarily started in the 1950's, and Croatian diaspora stems back from when Dalmatians came to New Zealand looking for gold. All of these communities still exist today, as well as other smaller CEEC

diaspora communities, all promoting their culture and language through associations, and are a positive entity to bolster relations between the respective countries and New Zealand.

Tourism is an area which has seen a considerable and direct increase for the CEECs as a result of their EU accession. Visitor numbers from New Zealand to Europe are still dominated by visits to the United Kingdom. However, Table 3 (p. 40) clearly highlighted that the percentage of NZ travellers to the UK, in relation to total NZ travellers to Europe, has decreased significantly, while at the same time, visits to the CEECs has increased, albeit not at the same rate. Despite visitor numbers to the CEECs from NZ remaining comparatively low, most CEECs have seen a good level of growth in NZ visitors since 2015, with the exception of the Baltic States, who suffer from a lack of tourism from all countries. The newest member of the EU is the one who sees the most NZ visitors each year, with over 5,000 New Zealanders visiting Croatia in 2019, followed by Czechia. For CEEC visitors to NZ, Poles and Czechs comprise the biggest share of visitors, with New Zealand seeing a boost in CEEC visitors also from 2015 onwards. Constructivist theory aids in explaining the rise in visitor numbers. There are many factors that influence a tourist's decision when selecting a destination to visit, including knowledge and reputation of a country and its culture. The accession to the Union redefined the perception and shared idea of the CEECs, through the neoliberal reforms, and made the CEECs a more attractive holiday destination. A positive occurrence since joining the EU has been the introduction of working holiday schemes. NZ and almost all CEECs have signed a working holiday scheme to encourage younger people to travel, with the exception of Bulgaria. However, the lack of embassies in both NZ and the CEECs presents an issue, as to apply for said scheme, a person must apply in-person.

There has been a considerable rise in NZ-CEEC economic relations since the time of the Eastern enlargement. Overall NZ-EU economic relations have also been and remain extensive. This includes a high level of FDI into New Zealand, and a large increase in the value of imports and exports. Prior to the CEECs enlargement, relations between NZ and the CEECs almost exclusively consisted of economic and trade relations. Therefore, once the CEECs had adopted the neoliberal reforms necessary to join the EU, it was natural that economic relations would bolster. These reforms caused a large amount of FDI to be injected into the CEECs, primarily through the boosting of their manufacturing sector from

the West. This resulted in a specialisation, which influenced the CEECs trade with New Zealand. Since the Eastern enlargement, there have been clear trends when it comes to imports into NZ. Machinery, electrical machinery, and vehicles have consistently been the primary commodities imports from the East Central Europe countries, who make up most of the import value out of the CEECs. In comparison, the value of exports to the ECE countries is considerably lower, with exports to Poland comprising most of the value. This is largely due to the fact that the commodities exported to the ECE countries are inconsistent and vary between years and countries. A similar case exists for the other two groups. The Baltic States have a very minimal amount of value of imports and exports of goods traded with New Zealand, with the majority of the overall number being made from one-off imports from Lithuania for petroleum and fertilisers. The South-Eastern Europe group also maintain inconsistent levels of trade with New Zealand; however, corn and machinery do comprise the majority of imports to NZ. The development of economic relations between New Zealand and the CEECs conforms with rationalist theory. The material gains that accession to the EU presents can be argued as a key factor for the CEECs ambition to join the EU. Rationalism dictates that actor will pursue a path to gain economic benefits, and with the FDI injection into the CEECs around the manufacturing sector, it was rational that they utilise their position within the EU to export more goods globally.

## 7.2 Evaluation and Limitations

In answering the research question, the conducted analysis in this thesis has shown that the accession to the European Union for the CEECs had a positive effect on their relations with New Zealand. This occurred for a variety of reasons, which have been examined throughout the thesis. Joining the world's largest internal market was a major desire for the CEECs after the collapse of communist regimes and resultingly, liberal reformations occurred. These reforms shaped the political and economic systems of the CEECs and promoted aspects like market economies and foreign relations. Foreign direct investment from the West into the CEECs boosted their manufacturing capability which boosted their global trade. Reforming and subsequently joining the EU also increased the standard of living in the CEECs, allowing

more people to travel. It also had the effect that the CEECs became increasingly visible to New Zealand and became a more attractive tourist destination.

There remain certain limitations within this thesis. Firstly, this thesis was limited by a time constraint. A large proportion of this thesis relies on economic data, which gets updated quarterly. As such, the data is likely to be outdated at the time of reading. This is especially important as the economic trends displayed throughout this thesis are growing at an exponential rate, which means that in the past few years, the value of trade in goods is growing substantially. Therefore, the value of goods trade within the next couple of years is likely to be significantly higher than the data displayed in this thesis. Secondly, there was a limitation with the amount that could be analysed due to the length of the thesis. There were areas within this research that could have been examined at a more in-depth level. An entire thesis could have been written on just the development of economic relations, where each individual country outside of the East Central Europe group was analysed rather than just at a group level. Similarly, it would have been possible to examine the ECE countries at an even greater level. However, with a constraint on word count, a brief and group-level analysis had to occur.

The limitations displayed above highlight that there are areas of this research topic that can be investigated further and at a deeper level. The format of this thesis is applicable to a variety of other research investigations that follow a similar methodology and structure than this thesis. These include investigating the development of relations of any particular country with New Zealand, or, any group of countries that join an international organisation. Two examples of this could be examining the relations between Western Europe and New Zealand, with specific focus on the impact of their EU accession, or, examining the relations between New Zealand and any group of countries pre and post joining an institution such as the EU or NATO. It would also make an interesting research investigation in the future to examine the South-Eastern European countries that are currently not a member of the EU, such as Serbia, and investigate the impact that their EU accession has on external relations with the likes of New Zealand. However, this entirely depends on whether these countries ever do get accepted into the EU.

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