

**Discovering the Baltics? Think Tallinn!**  
**Perspectives for New Zealand in the Baltic States**

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## **Abstract**

This research work is driven by a desire to improve status quo in the area of New Zealand's political, business and person-to-person relations with the post-Soviet Baltic Republics of Estonia, Latvia and Lithuania (the Baltics or the Baltic States), which by now represent an integral part of the European Union (EU). The example of Estonia will be tested as a possible 'gateway' for New Zealand trying to undertake its most recent endeavours towards discovering the Baltic region.

The dissertation's **response variable** can be outlined as 'New Zealand multi-dimensional interactions with the post-Soviet Baltic Republics, particularly with the Republic of Estonia'. At the same time, the descriptive nature of the dependent variable is planned to be expanded with the help of the **manipulated variable** that will lead this research work. The latter variable will be formulated as 'Estonia, a democratic, transparent, free-market state, can be chosen as a 'gateway' for New Zealand politics, business circles and the public in their endeavours to succeed in the post-Soviet Baltic region of the EU'. Such an approach will give a chance to scrutinise the studied issues comprehensively, from several angles (such as 'theoretical', 'operational' and 'structural'), and by answering the following three research questions: is it necessary for New Zealand to promote its interests and values in the region of the Baltic States; does an idea to choose one of the three Baltic States as a 'hub' for promoting New Zealand interests and values in the Baltic region of the EU have a perspective; and can Estonia be considered/recommended to become such a 'hub'?

This dissertation is among the first attempts to address a deficit of scholarship studying New Zealand relations with the post-Soviet Baltic region. Its findings could be used by both New Zealand and the Baltics' decision-makers in the field of international relations.

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## List of abbreviations

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BA	Baltic Assembly
CAP	The EU's Common Agricultural Policy
CDC	The Community of Democratic Choice
CeBIT	The annual global tradeshow for the digital industry
CFSP	Common Foreign and Security Policy
EU	The European Union
EU-15	The post-1995 EU of 15 Member States.
EU-27	The EU of 27 Member States (in its present form)
FDI	Foreign Direct Investment
G-8	The Group of 8 world's major economies
G-20	The Group of 20 world's major economies
GDP	Gross Domestic Product
IMF	International Monetary Fund
KGB	Committee of State Security for the Soviet Union
NATO	The North Atlantic Treaty Organisation
NCRE	National Centre for Research on Europe
NZ EUCN	New Zealand EU Centres Network
OECD	Organisation of Economic Cooperation and Development
PISA	Programme for International Student Assessment
UEFA	The Union of European Football Associations
UK	The United Kingdom
USSR	The Union of Soviet Socialist Republic
WHS	Working Holiday Scheme
WTO	World Trade Organisation

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# 1. Preamble

For a geographically down-under New Zealand, a union of twenty seven European states is arguably a difficult matter to approach. In 2005, Phil Goff, the then country's Minister of Foreign Affairs and Trade of the Labour-led government, stated that New Zealand "don't have, and couldn't have, established dialogues with all the EU members on every possible issue".<sup>1</sup> The undisputed fact that New Zealand has been known as a "distant outpost of the Western alliance"<sup>2</sup> has not always made it a lot easier for the South Pacific nation in the process of dealing with the EU. Adding to the complexity of the problem, the EU has been constantly growing in size by accepting new members. The relentless geo-political *LEGO*-style<sup>3</sup> constructivism on the post-World War II European continent has paved the way for the six enlargements of the EU since it was initially (and surrealistically) established in the form of the ECSC on 18 April 1951. Moreover, the echo of the so called 'British enlargement' (1973) is very much alive in New Zealand – the country still remembers the large-scale economical shake-up, which followed the EU's first extension.<sup>4</sup>

Paradoxically, that particular enlargement gave New Zealand chances to complete a course of foundational studies on Europe and lose "some of dominion behavioural habits"<sup>5</sup> based on what would be better and, to some extent, sarcastically described

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<sup>1</sup> Phil Goff, 'Europa Lecture. New Zealand and the EU: 12 months after enlargement', Old Provincial Chamber, Christchurch, 9 May 2005. Available from <[http://www.europe.canterbury.ac.nz/europa/pdf/2005\\_goff\\_address.pdf](http://www.europe.canterbury.ac.nz/europa/pdf/2005_goff_address.pdf)>.

<sup>2</sup> Anthony Wilson, *New Zealand and the Soviet Union, 1950-1991: a brittle relationship* (Wellington: Victoria University Press in association with the New Zealand Institute of International Affairs, 2004), p. 193.

<sup>3</sup> This metaphor is based on the imaginary concept that each of the 27 Member States of the EU could be seen as a coloured brick from a LEGO structure. LEGO is a well-known Danish enterprise that manufactures varieties of construction toys. See also [www.lego.com](http://www.lego.com).

<sup>4</sup> Vlad Vernygora, 'The EU-NZ: time to move' in *The National Business Review*, 5 October 2007. Available from <<http://www.nbr.co.nz/article/the-eu-and-nz-time-move>>.

<sup>5</sup> Vernygora, 'The EU-NZ: time to move'.

as “tidy trading relationships with the United Kingdom”.<sup>6</sup> Becoming “more self-confident”,<sup>7</sup> the South Pacific democracy had an opportunity to learn that the European continent “was never all about Britain”.<sup>8</sup> At present, despite the EU is New Zealand’s third biggest trading partner after Australia and China, the debate about the better ways to be interacting with the EU is not irrelevant in New Zealand yet.

## **1.1. New Zealand and the EU’s system of geo-political coordinates: the need to learn more about each other**

From the operational angle, the EU works at a “macrosociatal level” in the environment where the entire continent from Portugal to the Ural Mountains of Russia and from Norway to Azerbaijan exists as a jigsaw puzzle of several micro-Europes as its overlapping, very different and highly regionalised pieces – “market Europe, social Europe, [...] wealthy Europe, poorer Europe – east and west, north and south”.<sup>9</sup> Not without an effort, a New Zealand-based decision maker can complete such a puzzle – a Britain-orientated vector still predominates among the other European vectors. A quantitative survey on public perceptions and media representation of the EU image in the Asia-Pacific region (finalised in 2005) showed that over 60 per cent of New Zealand respondents mentioned the UK as an EU Member State they have had “personal or professional connections with”.<sup>10</sup> The other EU Member States (excluding the Republic of Ireland and the founding EU

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<sup>6</sup> Helen Clark, ‘Europa Lecture to the National Centre for Research on Europe’, Wellington, 20 November 2002. Available from <[http://www.eucnetwork.org.nz/activities/europa/docs/2002\\_clark\\_address.pdf](http://www.eucnetwork.org.nz/activities/europa/docs/2002_clark_address.pdf)>.

<sup>7</sup> John Key, ‘Europa Lecture: Europe’s place in New Zealand’s foreign policy’, Banquette Hall, Parliament Building, 12 October 2010. Available from <<http://www.eucnetwork.org.nz/activities/europa/The%20Rt.%20Hon.%20John%20Key%2012.10.2010.pdf>>

<sup>8</sup> Vernygora, ‘The EU-NZ: time to move’.

<sup>9</sup> Brigid Laffan, ‘The European Union and its institution as ‘identity builders’ in *Transnational identities: becoming European in the EU*, ed. by R.K. Herrmann, T. Risse and M.B. Bremer (Lanham, MD: Rowman and Littlefield, 2004), pp. 77 and 96.

<sup>10</sup> *The EU through the eyes of the Asia-Pacific: public perceptions and media representations*, NCRE Research Series 4, ed. by N. Chaban and M. Holland (Christchurch: NCRE, 2005), pp. 42-43.

Members such as the Netherlands, Germany and France) were “largely unknown” to the respondents in New Zealand as well as in Australia.<sup>11</sup> Especially this ‘unknown’ image was related to the lot of countries that acceded to the EU during its enlargement in 2004, i.e. Estonia, Latvia, Lithuania, Hungary, Slovakia, and others. From a comparative point of view it is worthwhile mentioning that a similar survey conducted in 2005 in Hong Kong, a second former British dominion, showed that “the prominence of the UK appeared to have undermined more than contributed to the EU’s rating as if they were contenders”.<sup>12</sup> At the same time, the spontaneous image of the EU in New Zealand was shown as overwhelmingly linked to such issues as “trade” and “Euro/common currency”.<sup>13</sup>

Connecting the above findings in the simple logical chain and keeping in mind New Zealand’s healthy and stable state of relationships with the EU Member States of the former EU-15, it is possible to suggest that New Zealand could increasingly benefit from strengthening and deepening its ties with the world’s largest political and economic union, provided that the country becomes aware of **the whole spectrum of different opportunities**, which the **enlarged** supranational power and different regions of the EU-27 are capable to offer. In an addition, the significance of such an issue is understood among the EU decision makers, too. In 2003, in Wellington, Lord Christopher Patten, then the European Commissioner for External Relations, underscored the importance of increasing “awareness of the EU in New Zealand” to

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<sup>11</sup> The Republic of Ireland, the Netherlands, France and Germany were mentioned in the range between 18 and 21 percent of respondents. See ‘The EU through the eyes of the Asia-Pacific: public perceptions and media representations’.

<sup>12</sup> Respondents were asked to determine counties or regions, which, on their opinion, are the top three most important partners of Hong Kong. See Kenneth Chan, ‘It’s good to talk, but it’s best to act!’, presented 29 July 2006 at workshop *EU’s new identity and its perception in Asia: responding to the 7th Framework Programme ‘Europe in the World’*, Christchurch, New Zealand. Available from <<http://www.ieem.org.mo/nesca/documents/papers/july2006/Chan.doc>>.

<sup>13</sup> *The EU through the eyes of the Asia-Pacific: public perceptions and media representations*, pp. 30-31.

be able to “bring forward the bilateral relationships, building on the existing healthy foundations”.<sup>14</sup>

One of such foundations can undoubtedly be the people’s factor – 7.5 per cent of New Zealand population (‘Usually Resident Population Count, 2006) were born in one of the Member States of the EU-27, and almost 67 per cent of the EU-born New Zealand residents (202,401 people) stated England as their birthplace.<sup>15</sup> Another fundamental factor to build on is that New Zealand-EU trade figures have been increasing from 1990 until 2008.<sup>16</sup> All these driving forces, with necessity and inevitability, are directing New Zealand towards, **firstly**, re-discovering the enlarged EU as an entity and, **secondly**, learning about the unexplored regions of the EU comprehensively.

In order to positively reflect to a need for New Zealand to introduce itself among the EU’s newcomers, this dissertation is anticipating to be of some help while New Zealand is trying to improve the *status quo* in the area of political, business, scientific and person-to-person relations with the strategically important Republics of Estonia, Latvia and Lithuania. These nations used to be treated as a “distinct [...] Western enclave”<sup>17</sup> in the former USSR and by now represent an integral part of the EU-27.

Traditionally, in historiography and political science, Estonia, Latvia and Lithuania have been known as the Baltic States or simply the Baltics. Regardless of the

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<sup>14</sup> Christopher Patten, ‘Europa Lecture: EU-New Zealand relations after enlargement’, Parliament Building, Wellington, 23 April 2003. Available from

<[http://www.eucnetwork.org.nz/activities/europa/docs/2003\\_patten\\_address.pdf](http://www.eucnetwork.org.nz/activities/europa/docs/2003_patten_address.pdf)>.

<sup>15</sup> ‘2006 New Zealand Census’ in *Statistics New Zealand*. Available from

<<http://www.stats.govt.nz/census/2006-census-information-about-data/>>.

<sup>16</sup> ‘Trade with New Zealand’ in *European Commission*. Available from

<[http://ec.europa.eu/trade/issues/bilateral/countries/newzealand/index\\_en.htm](http://ec.europa.eu/trade/issues/bilateral/countries/newzealand/index_en.htm)>. See also *Statistics New Zealand*.

<sup>17</sup> Romuald J. Misiunas and Rein Taagepera, *The Baltic States: years of dependence, 1940-1990* (London: Hurst, 1993), p. 1.

geographical fact that the other countries of the Baltic Sea basin (namely Denmark, Finland, Germany, Poland, Russia, and Sweden) could also be called ‘Baltic’, Estonia, Latvia and Lithuania are however generally considered, according to Reddaway, as “most “Baltic” States”<sup>18</sup> of them all, so the non-aging terminological stamp ‘Baltic States’ is to be further applied in this paper to the three countries only.

## **1.2. Introduction: the general background of the issue and the phenomenon under study**

Despite the EU-27’s true potential is yet to be discovered in full by New Zealand various elites and the public, the South Pacific country has already made a gigantic and notable step towards the new EU. In April 2005, responding to the necessity “to enhance [New Zealand’s] diplomatic reach into Central Europe”,<sup>19</sup> New Zealand Government opened its Embassy in Warsaw with accreditation to the Baltic States. Having made such a diplomatic move, New Zealand *de-facto* recognised the relatively recent but dramatic changes occurred in almost every part of Europe in 25 years. Those changes and events – the Mikhail Gorbachev era in the Soviet Union, the fall of the Berlin Wall, the disintegration and the collapse of the USSR, the interconnected myriad of Yugoslavian conflicts and the establishment of the EU in its present form<sup>20</sup> – gave the European continent a **new regional outlook** as well as a **new set of functional dimensions**.

Benefiting and growing on the background of the successful “coexistence of global and regional multilateral institutions”,<sup>21</sup> some of the newly-born European

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<sup>18</sup> William Fiddian Reddaway, *Problems of the Baltic* (Cambridge, England: University Press, 1940), p. 6.

<sup>19</sup> Helen Clark, ‘Address to the NZ Institute of International Affairs’, 23 June 2004. Available from <<http://www.beehive.govt.nz/ViewDocument.aspx?DocumentID=20104>>.

<sup>20</sup> Some of the events mentioned in Lonnie R. Johnson, *Central Europe: enemies, neighbors, friends* (New York, Oxford: Oxford University Press, 1996), p. 282.

<sup>21</sup> Ernst B. Haas, *Nationalism, liberalism, and progress* (Ithaca, N.Y.: Cornell University Press, 1997-2000), volume 2, p. 446.

democracies started attracting big-scale investors. For example, only the Polish state alone consumed over \$US 100 billion of foreign direct investments (FDI) in the period from the early 1990s until 2007.<sup>22</sup> Europe has got it closer to a somewhat controversial, phantasmagorical but nevertheless extraordinary image of the continent that could be genuinely united on the basis of “the broader common interest, served by common democratic institutions”.<sup>23</sup> Even the potentially distracting and the poorly managed process of the EU’s constitutionalisation in 2004-2005 could not damage this long-standing idea of Jean Monnet. By the way, the fairly recent developments that eventuated with the ratification of the 2007 Lisbon Treaty by all of the EU’s Member States show that the supranational entity may not need a formally written constitution to be a stronger and a more cohesive global power.

For countries like New Zealand, the continuing process of the European integration certainly helps to untangle few difficult issues in the area of political economy. However, the numerous integrative vectors within the EU as well as its permanent and heavily bureaucratised inclination towards “institutional engineering”<sup>24</sup> have not created a recognisable portrait of the EU even among the countries of its immediate neighbourhood, not to mention a group of the South Pacific states as well as Australia. For example, an Australian scholar Philomena Murray noted that beyond her country’s governmental circles and apart from recognition of the EU’s “economic persona”, the supranational EU “remains largely invisible on the radar screens of Australian elites”.<sup>25</sup> Literally, the EU’s role in the global economy is

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<sup>22</sup> ‘Foreign investors in Poland’ in *Polish Information and Foreign Investment Agency*. Available from <[http://www.paiz.gov.pl/publications/foreign\\_investors\\_in\\_poland](http://www.paiz.gov.pl/publications/foreign_investors_in_poland)>.

<sup>23</sup> Jean Monnet, *Memoirs*, 1<sup>st</sup> ed. (Garden City, NY.: Doubleday, 1978), p. 523.

<sup>24</sup> Jan Zielonka, ‘Europe as Empire – Reflections of the 50<sup>th</sup> Anniversary of the Treaty of Rome’, Lecture presented at University of Auckland, 15 May 2007.

<sup>25</sup> Philomena Murray, ‘What Australians think about the EU’ in *The European Union and the Asia–Pacific: media, public and elite perceptions of the EU*, ed. N. Chaban and M. Holland (Abingdon: Routledge, 2008), p. 179.

currently a lot more visible than its potential and capability shown by the EU on the stage of the international politics.

In May 2005, Goff underlined this particular obstacle in an explicit way:

I might pick up the phone and call Javier Solana. But even if I convince him, I haven't necessarily convinced the EU. Rather, his voice is one among many, and his is not necessarily the final decision.<sup>26</sup>

Undoubtedly, the EU's image is becoming more distinct in the light of the adoption of the Lisbon Treaty and the following November 2009 elections of the President of the EU's Council and High Representative for Foreign Affairs and Security Policy. At the same time, Herman Van Rompuy, the newly elected President of the Council of the EU, outlined his desire "to listen to everyone and [...] make sure that [...] deliberations turn into results for everyone".<sup>27</sup> Thus, if we are to generalise on the broader area of interactions, as suggested, it is noticeably easier for New Zealand at present to cooperate with the EU Member States, especially with the Union's newcomers, "in the context of dealing with those countries' historical regions".<sup>28</sup> That is why the fact of distinguishing Poland and the Baltic trio from the other newcomers to the EU had given an impression that the post-Cold War relationships-building process with Estonia, Latvia, Lithuania and Poland **had not been** launched by New Zealand in the inertial 'just in case' framework. Notably, the prime-role of the official Brussels certainly has been acknowledged by New Zealand officials in the past (via Ministerial Troika consultations and regular contacts with the President of the European Commission and the EU High Representative). But nevertheless the precedent with establishing the Warsaw Embassy is a definite sign of New

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<sup>26</sup> Goff, 'Europa Lecture'.

<sup>27</sup> Herman Van Rompuy, 'Summary: 19 November 2009, Brussels – Intervention of H.E. Mr. Herman Van Rompuy following his appointment as President of the Council of the European Union'. Available from <[http://www.europa-eu-un.org/articles/en/article\\_9245\\_en.htm](http://www.europa-eu-un.org/articles/en/article_9245_en.htm)>.

<sup>28</sup> Vernygora, 'The EU-NZ: Time to Move'.



Zealand's positive mood about future cooperation with the newer parts of the EU. 'How to cooperate?' is a different story.

In the last seven years there were several high-level visits to the Poland-Baltic States region made by New Zealand governmental and parliamentary officials, including New Zealand Prime Minister's visit to Poland (2005), Minister of Foreign Affairs and Trade's visits to Estonia, Latvia and Lithuania (2004), New Zealand Parliament's Speaker's visits to Estonia and Latvia (2004) and to Poland, the Czech Republic and Hungary (2008) and Minister of Foreign Affairs' visit to Estonia (2006).

In search for knowledge about the new Europe, the country's political summit has been strongly supported by New Zealand academia. In 2000, the Centre for Research on Europe (now known as the NCRE) was founded at the University of Canterbury to quickly gain national status and become an internationally renowned EU-dedicated tertiary level academic centre.<sup>29</sup> In 2004, it was recognised by the EU as a Jean Monnet Centre of Excellence.<sup>30</sup> In the period from 2000 until 2010, the NCRE together with the New Zealand EU Centres Network (NZ EUCN) have organised a significant number of international conferences and high-profile open lectures ('Europa Lecture') with a distinct emphasis on the EU enlargements and research on the EU's new Members.<sup>31</sup> More often than in had been before, the wider New Zealand public started seeing leaders of European states, the EU Commissionaires and local politicians giving speeches on the EU-New Zealand cooperation and Europe-related matters. This kind of dynamics showed that New Zealand, driven by a desire to strengthen its presence in the area or/and gain some

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<sup>29</sup> National Centre for Research on Europe (home webpage) in the *University of Canterbury official web portal*. Available from <<http://www.europe.canterbury.ac.nz/info/ncre.shtml>>.

<sup>30</sup> 'Professor Martin Holland' in *Jean Monnet: Success Stories – Europe for lifelong learning* (Luxemburg: Office for Official Publications of the European communities, 2007), p. 22. See also <<http://www.jmcoe-asia-pacific.org/>>.

<sup>31</sup> National Centre for Research on Europe. See <<http://www.europe.canterbury.ac.nz/conferences/>> and <<http://www.europe.canterbury.ac.nz/publications/>>.

knowledge about the area, started searching for opportunities in the newer parts of the EU.

Assuming that the European statehoods are generally opened or “positively exposed to New Zealand”,<sup>32</sup> too, and intending to establish a clear concept for activities in the future, this research work will be making ‘snap-shots’ of the *status quo* and assessing some key factors that are likely to assist in regards of enhancing New Zealand’s interconnections with the Baltic States. Characteristically for the dissertation, the example of the Republic of Estonia, a country of a land mass similar to Switzerland or the Netherlands, will be tested as a possible **formal/informal gateway** for New Zealand undertaking its most recent endeavours towards discovering the Baltics in a comprehensive way.

Back in April 1979, for the then New Zealand Ambassador in the USSR Jim Weir Estonia appeared to be similar to Scandinavia; the New Zealand diplomat “encountered nothing so sophisticated anywhere else in the Soviet Union”<sup>33</sup> as he saw in Estonia. Some experts also argued that Estonia “was the most liberal part”<sup>34</sup> of the former USSR. According to O’Connor, Estonia was also seen as “bulwark of stability and [...] the driving force behind the efforts of the Baltic countries to forge closer ties with European institutions”.<sup>35</sup>

In the present days, as noted by Christine Spahn from New Zealand Trade and Enterprise, the Estonian state “is seen as the champion”<sup>36</sup> among the Baltic trio. A

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<sup>32</sup> Richard Laverty, ‘Speech’ at Europe Series – ‘New governance, new opportunities and new partnerships’, Trade and Investment Session, Fale Pasifika, University of Auckland, 19 March 2007.

<sup>33</sup> Jim Weir, *A New Zealand Ambassador’s letters from Moscow* (Auckland, London, Sydney, Toronto: Hodder and Stoughton, 1988), p. 265.

<sup>34</sup> Mikk Titma and Andu Rammer, ‘Changing value patterns in a divided society’, Chapter 11 Estonia in *Democracy and political culture in Eastern Europe*, ed. by H-D. Klingemann, D. Fuchs and J. Zielonka (Routledge, 2006), p.305.

<sup>35</sup> Kevin O’Connor, *Culture and customs of the Baltic States* (Westport, Connecticut; London: Greenwood Press, 2006), pp. 31-32.

<sup>36</sup> Christine Spahn, interview with author, 10 January 2008.

2009 New Zealand scholarly edition<sup>37</sup> was entirely dedicated to Estonia and its economic success. In 2006, John Tierney of *The New York Times* referred to the pre-recessional Estonia as to “the Baltic Tiger”, while describing Tallinn, the country’s capital city, as “a boomtown” where “Prague meets Houston, except that Houston’s economy is cool by comparison”.<sup>38</sup> Since 1991, Estonia is indeed continuing to perform better than Latvia and Lithuania in many aspects of political, economic and social life.

Such and similar statements as well as this paper’s findings that could strongly argue in favour of the ‘Estonian hub’ for New Zealand do not undermine possibilities and perspectives for Latvia and Lithuania to become one. Riga and Vilnius, should they maintain their growing geo-political and sub-regional importance and should the three Baltic republics continue being perceived worldwide as a region, can ruthlessly challenge the Tallinn’s informal leading role in the nearest future. At this point, the choice of the ‘Estonia-based hub’, provided it is ever made by New Zealand, seems rather obvious but still needs to be critically tested – one of this paper’s tasks to complete.

As it has been briefly discussed before, the post-Soviet democracies of the Baltic States together with majority of the other newcomers to the EU are not among the better known partners of New Zealand. Nevertheless, the New Zealand political elites (not an average New Zealander though) had certainly had some awareness of the specific national makeup of the former USSR. To some extent and to a certain point in history, the Baltic region of the collapsed communist political empire had been distinguished by New Zealand foreign policy makers from the lot of the titular Soviet Republics. In 1940, the year when Estonia, Latvia and Lithuania were

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<sup>37</sup> See David G. Mayes ed., *Microfoundations of economic success. Lessons from Estonia* (Cheltenham: Edward Elgar, 2009).

<sup>38</sup> John Tierney, ‘New Europe’s boomtown’ in *The New York Times*, 5 September 2006. Available from <[http://select.nytimes.com/2006/09/05/opinion/05tierney.html?\\_r=1&oref=slogin](http://select.nytimes.com/2006/09/05/opinion/05tierney.html?_r=1&oref=slogin)>.

occupied by the USSR (an aftermath of the Molotov-Ribbentrop secret protocol to the Soviet-German pact signed on 23 August 1939 and, more specifically, the Soviet-German state borders agreement signed on 28 September 1939), the New Zealand's wartime Government condemned those countries' "forcible incorporation"<sup>39</sup> into the Soviet Union. Only thirty four years later, New Zealand, desperately searching for new markets at a very difficult time and thus reflecting to the realistic need of maintaining "a growing trade relationship"<sup>40</sup> with the Soviet Moscow, officially recognised the Soviet Union's jurisdiction under the Baltic States and re-established its diplomatic representation in the Soviet capital.<sup>41</sup>

This fact of New Zealand's long-term refusal to formally recognise the Soviet annexation of the Baltics can become **a valuable starting point** in building up relationships with Estonia, Latvia and Lithuania from self-re-introduction, but definitely not from the 'ground zero'.

### **1.3. Main variables of the study and its theoretical background**

According to the above, this dissertation's **dependent** (response) variable can be outlined as 'New Zealand multi-dimensional interactions with the post-Soviet Baltic Republics, particularly with the Republic of Estonia'. At the same time, the descriptive (and therefore semantically quasi-simplistic) nature of the dependent variable is planned to be expanded with the help of the **manipulated** variable that will lead this research work. The latter variable will be formulated as '**Estonia, a democratic, transparent, free-market state, can be chosen as a gateway for New**

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<sup>39</sup> Wilson, p. 74.

<sup>40</sup> Wilson, p. 74.

<sup>41</sup> Vladimir Oltarzhevskiy, *Sovetskiy Soyuz i Novaya Zelandiya v sisteme mezhdunarodnykh otnosheniy 40-80 godov XX veka* (Irkutsk: Ottisk, 1999), p. 178.

**Zealand politics, business, scientific circles and the public in their endeavours to succeed in the post-Soviet Baltic region of the EU’.**

Such an approach will give a chance to scrutinise the studied issues from several angles (namely ‘theoretical’, ‘operational’ and ‘structural’), and by answering the following three research questions: **is it necessary for New Zealand to promote its image, business interests, scientific achievements and political values in the less known region of the Baltic States; does an idea to choose one of the three Baltic States as a ‘hub’ for promoting New Zealand’s image, business interests, scientific achievements and political values in the Baltic region of the EU have a perspective; and can Estonia be considered/recommended to become such a ‘hub’?** Importantly, each of the research questions will be approached from its own theoretical, structural and operational angles, thus producing a **pattern** for similar studies in the future and helping to determine a set of tendencies that could be found elsewhere, i.e. while analysing Latvia- or Lithuania-related issues.

In addition, a ‘hub’/‘gateway’ concept is understood here as an idea to choose (formally or informally) the best possible place in a given region, which is the most advantageous to be serving as a base for establishing one’s stable presence in the area.

In conjunction to the main variables of the dissertation, there are some important **moderators** of the studying process, such as:

- The fifth enlargement of the EU (when Estonia, Latvia and Lithuania joined the EU on 1 May 2004);
  
- New elements to New Zealand foreign policy expressed in New Zealand’s recent interest towards Eastern, Central Europe and Scandinavia;

- New Zealand's and Estonia's acknowledged successes in being among the world's leading nations in such high-validity surveys as 'Global Press Freedom Survey', 'Index of Economic Freedom', 'World Bank's Countries' Business Climate Survey', many others. Moreover and remarkably for the two small countries, some comprehensive surveys (the inaugural 2006 'State of World Liberty Index' and 'Transparency International Corruption Perception Indexes 2006-2010) correspondingly showed Estonia and New Zealand as world leaders in their respective rankings.

At the same time, there is a certain need to be aware of some **intervening** variables, which attempt to edge their ways into relationships between dependent and manipulated variables as well as moderators of this research work. One of such variables, in spite of its extremely hypothetical nature, does not undermine the fact of necessity but conceptually (and provocatively) questions the prospects of objective feasibility for New Zealand and the Baltics to smoothly realise their 'interaction-building' capacities. From the other flank, the second intervening variable may not be entirely in favour of the idea of the 'Estonian hub' offering Latvia's or/and Lithuania's vectors instead. Alternatively, Poland that hosts New Zealand's diplomatic representatives in the region can be offered as an existing 'hub' that perhaps needs some further development and additional resources to be more productive and proactive.

In the light of the opening of New Zealand Embassy in Stockholm in 2008, there may be a symbiotic variation of the above two variables that may question the very existence of the Baltics' region itself – pointing on Estonia-Finland-Scandinavia, Latvia-Germany, and Lithuania-Poland-Belarus-Ukraine ties that perhaps could hold a lot more regional potential than the supposedly obvious Estonia-Latvia-Lithuania axis. Clearly, the current situation has not changed much from the times of the League of Nations (the first half of the twentieth century) when Estonia,

Latvia and Lithuania were perceived as some kind of a grouping, even though they had not always been acting as one.<sup>42</sup> Some of the experts even argued that the pre-World War II independence period led to the rise of “Baltic affinity that obscured the fundamental differences between Estonia and Latvia on one hand and Lithuania on the other”.<sup>43</sup> However, this paper’s choice to get the three Baltic States informally regionalised for one more time is not based on a simplified perception that makes Estonia, Latvia and Lithuania look the same. On the contrary, it is accompanied by the integrated assumption of administrative, cultural, economical and political differences between each of the Baltics. Therefore, it is not suggested for New Zealand, while having interacted with Estonia, to take identical approach dealing with Latvia or Lithuania.

Finalising on the intervening variables, in general, their major hint is that New Zealand's interest towards the Baltics via Estonia as well as the Baltic trio’s curiosity towards the South Pacific via New Zealand may not be of the ‘prime-level’ importance and may be overshadowed by existing working relationships with the others, namely Australia, the EU-15, the United States, the Asia-Pacific (for New Zealand) and the EU-15 and the Russian Federation (for Estonia and the other two Baltics).

On the other side, there is a strong **theoretical background** that supports the manipulated variable of this study. For example, the Baltic States have already started showing certain signs of classic **functionalist** strategy in the broader sense that is not only related to the European integration – by promoting and developing “shared identities” and getting involved into “cross state cooperation on a series of

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<sup>42</sup> Rita Putins Peters, ‘Baltic States diplomacy and the League of Nations Minorities System’ in *The Baltic in international relations between the two World Wars*, ed. by J. Hiden and A. Loit (Stockholm: Centre for Baltic Studies, 1988), p.298.

<sup>43</sup> Johann P. Arnason, ‘Europe’s eastern borders’ in *Australian Slavonic and East European Studies*, volume 20, numbers 1-2, 2006, p. 132.

functional matters”.<sup>44</sup> In this framework, New Zealand, one of the most stable Western-style democracies, is not likely to suddenly get engaged into a ‘clash of civilizations’ while dealing with the relatively inexperienced but undoubtedly transparent democratic and free-market polities of the Baltic region.<sup>45</sup> The latter statement has a solid normative basis – prior to joining the EU, the Baltics and the other seven newcomers had to formally meet the Copenhagen Criteria and provide sufficient evidences that their state institutions were capable in guaranteeing democracy, rule of law, human rights, and respect for and protection of minorities.<sup>46</sup> Additionally, not only did the Baltics successfully reach the goal of joining the EU, but they also became full members of NATO and WTO where normative criteria are no less strict than in the EU. In case of Estonia, the country has already made a step further becoming a member of the OECD, a club of the world’s most developed states.

Moreover, and this is another crucial theoretical argument, Estonia, Latvia and Lithuania will be making it even easier for New Zealand to approach them – sometimes their reflections to act in a distinct ‘**intergovernmental**’ way make the Baltics significantly more ‘distinguishable’ among the other newcomers to the EU. According to Vernygora and Chaban, whilst the EU’s classic and powerful democracies are slowly but surely leaning towards “less sovereignty and more supranational institutions”,<sup>47</sup> the new Member States (including the Baltics) still need some time to recover from having a vulnerable “secondary status”<sup>48</sup> that they had during their ‘have been’ times within the USSR, once described as the

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<sup>44</sup> Richard Herrmann and Marilynn B. Brewer, ‘Identities and institutions: becoming European in the EU’ in *transnational identities: becoming European in the EU*, ed. by R.K. Herrmann, T. Risse and M.B. Bremer (Lanham, MD: Rowman and Littlefield, 2004), p. 1.

<sup>45</sup> Vlad Vernygora, ‘Tiny E-Estonia big on the internet’ in *The National Business Review*, 17 August, p. 28. Available from <<http://www.nbr.co.nz/article/tiny-e-estonia-big-internet>>.

<sup>46</sup> ‘The 1993 Copenhagen Criteria’ in *the European Union official web portal*. Available from <[http://europa.eu.int/information\\_society/activities/atwork/ documents/dgenlargementbrochure/sld005.htm](http://europa.eu.int/information_society/activities/atwork/ documents/dgenlargementbrochure/sld005.htm)>.

<sup>47</sup> Vlad Vernygora and Natalia Chaban, ‘New Europe and its neo-regionalism: a working case of the Community of Democratic Choice’ in *Trames* (Tallinn: Estonian Academy Publishers, 2008), volume 12, issue 2, p.135.

<sup>48</sup> Vernygora and Chaban, ‘New Europe and its neo-regionalism’.



“Russian-dominated Soviet state”.<sup>49</sup> Without excessive overemphasising the factor of the then existed hierarchical ladder of nations of the former USSR,<sup>50</sup> the unshakable Russian national domination in the Soviet Union had to be treated as an empirical assumption. It led to the situation when the distinction between the USSR and the Russian Federation within it became “fuzzy and often unrecognizable”,<sup>51</sup> making the other titular Republics – even Belarus and Ukraine, the inaugural members of the United Nations – politically and geographically faceless.

The period when a neighbouring political regime could easily make decisions on the fate of the then independent Baltic societies and their leaders<sup>52</sup> is still well-remembered in Estonia, Latvia and Lithuania. Ortvin Sarapu, an Estonian post-World War II refugee who later became New Zealand’s greatest chess player, wrote with sadness that both the Nazi and Soviet armies (objectively, the occupying totalitarian powers) positioned themselves as liberators.<sup>53</sup> There is also a collective memory about the local ‘prisoners of conscience’ or simply political prisoners held by the Soviet regime in 1960s-80s. Some of them like Soldatov, Sadunaite and Ziukauskas were mentioned in Andrei Sakharov’s Nobel Lecture in 1975 – the most famous of all Russian dissidents wanted those people to share with him the honour

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<sup>49</sup> Ian Bremmer and Ray Taras, ‘Preface’ in *Nation and politics in the Soviet successor states*, ed. by I. Bremmer and R. Taras (Cambridge; New York, NY, USA: Cambridge University Press, 1993), p. xx.

<sup>50</sup> Having a higher rank in the strictly formalised national hierarchy of the Soviet Union did not necessarily mean for a titular Republic to enjoy a better level of life or a protection from the regime’s arbitrary rule. For example, the ordinary people of the Russian Federation “did not live noticeably better” than others having “debilitating poverty, wretched roads, and environmental degradation”. See John Dunlop, ‘Russia: confronting a loss of empire’ in *Nation and politics in the Soviet successor states*, ed. by I. Bremmer and R. Taras (New York: Cambridge University Press, 1993), p. 46.

<sup>51</sup> Ilya Prizel, *National identity and foreign policy: nationalism and leadership in Poland, Russia and Ukraine* (Cambridge, UK; New York: Cambridge University Press, 1998), p. 180.

<sup>52</sup> *Karlis Ulmanis* (1877-1942) – the pre-Soviet annexation Latvian president died in Soviet prison, in Turkmenistan. See Juris Dreifelds, *Latvia in transition* (Cambridge; New York: Cambridge University Press, 1996), p. 33.

*Antanas Smetona* (1874-1944) – the pre-Soviet annexation Lithuanian president left Lithuania and died in Cleveland, USA. See Vytas Stanley Vardys and Judith Sedaitis, *Lithuania: the Rebel Nation* (Boulder, Colo.: Westview Press, 1997), p. 37.

*Konstantin Päts* (1874-1956) – the pre-Soviet annexation Estonian president died in mental hospital in Tver region, Russia, after being imprisoned by NKVD. See *The official web portal of the President of the Republic of Estonia*, available from <<http://www.president.ee/en/estonia/heads.php?gid=81953>>.

<sup>53</sup> Ortvin Sarapu, *Mr Chess: the Ortvin Sarapu story* (New Zealand Chess Suppliers, 1993), p. 4.

of The Nobel Peace Prize.<sup>54</sup> Sergei Soldatov, an associate professor at the Tallinn University of Technology and one of the leading personalities of the dissident movement in Estonia that demanded the restoration of the independent Estonian Republic, was arrested by the KGB in January 1975.<sup>55</sup> At the same time, even the influential Soviet leaders like Eduard Shevardnadze were certain that the Baltic States “were not the place where nationalism would turn violent”.<sup>56</sup>

Furthermore, as it was noted and framed by the media in New Zealand and some of the other Asia-Pacific countries, “the novelty and uniqueness of the 2004 EU enlargement”<sup>57</sup> could not hide the ambivalent imagery of the situation. The dominant feeling was that the EU’s doors “were only half-opened and embraces half-hearted” for the Baltics and the other new Members of the EU.<sup>58</sup> In the dramatically enlarged European supranational entity, the fear of uncertainty (“what might come”)<sup>59</sup> was mixed with the joy of celebration. At a certain point in time, New Zealand reporters on the 2004 EU’s enlargement created predominantly a negatively-charged image of the process, using metaphors that could be conceptualised in the following groups: “too far too soon”, “physical barriers”, “fortress Europe”, “problems in the neighbourhood”, “poorer cousins and unhappy family”, “poor health” others.<sup>60</sup> After such a critical ‘feedback’ received from ‘within the new family’ and the foreign ‘spectators’, the Baltics had a lot to prove.

These were and are the prime reasons for the Baltic States, while being consistently in favour of the European integration in principle, to continue shaping their very

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<sup>54</sup> Andrei Sakharov, ‘Peace, progress, human rights’, Nobel Lecture, 11 December 1975. Available <<http://nobelprize.org/peace/laureates/1975/sakharov-lecture.html>>.

<sup>55</sup> Mait Raun, ‘Estonian democrats fighting for Estonia’s independence 1968-1975’. Available from <[http://www.mustkass.kongress.ee/tegevus/raun\\_eng.htm](http://www.mustkass.kongress.ee/tegevus/raun_eng.htm)>.

<sup>56</sup> Pavel Palazchenko, *My years with Gorbachev and Shevardnadze* (The Pennsylvania State University Press, 1997), p. 133.

<sup>57</sup> Natalia Chaban et al., ‘The European Union in metaphors: images of the EU enlargement in the Asia-Pacific news’ in *The European Union and the Asia-Pacific: media, public and elite perceptions of the EU*, ed. N. Chaban and M. Holland (Abingdon: Routledge, 2008), p. 84.

<sup>58</sup> Chaban et al., p. 84.

<sup>59</sup> Chaban et al., p. 85.

<sup>60</sup> Chaban et al., pp. 74-77.

own geo-political silhouettes based on successful past experience of establishing their very own nation-states, some of them with ancient roots.<sup>61</sup> For example, the historical fact of Lithuania's capability to grow, although with significant Slavic influence, into an independent power in the Middle Ages<sup>62</sup> has tremendously boosted the country's state-building process at present. In fact, each of the Baltic States never accepted that "their pre- [Second World] war statehood[s] w[ere] ever extinguished".<sup>63</sup> Elaborating on the same issue, Hiden and Salmon ironically noted that, right before the collapse of the Soviet Union, the Baltics needed an informational office "to counter damaging misconceptions, among these the assumption that 'tiny' Baltic countries are unable to survive on their own".<sup>64</sup>

Evidently, promoting themselves as independent countries, the Baltics have also been mastering their skill as regional experts within the EU and outside of the EU. The trio's active role in the process of regional development, their participation in the Baltic Assembly and the Community of Democratic Choice (all to be briefly discussed at length) brought up arguments about a new wave of regionalism in the Eastern Europe,<sup>65</sup> backed by and "contextualised within a profoundly altered development paradigm".<sup>66</sup> The revival of **neo-regionalism** suggests that Estonia, Latvia and Lithuania are taking additional chances to stay in the front row of international politics in order to be distinctly heard by partners as different as New Zealand, Australia, Canada, Russia, the United States, China, Georgia or Ukraine. Also, the knowledge of their immediate and broader regions that is being offered by

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<sup>61</sup> Ben Fowkes, *The disintegration of the Soviet Union. A study in the rise and triumph of nationalism* (New York: St. Martin's Press, 1997), p. 35.

<sup>62</sup> Georg von Rauch, *The Baltic States: the years of independence. Estonia, Latvia, Lithuania: 1917 – 1949* (London: Hurst and Co., 1995), p. 3.

<sup>63</sup> 'The truth about eSStonia' in *The Economist*, 16 August 2007. Available from [http://www.economist.com/PrinterFriendly.cfm?story\\_id=9645274](http://www.economist.com/PrinterFriendly.cfm?story_id=9645274).

<sup>64</sup> John Hiden and Patrick Salmon, *The Baltic Nations and Europe: Estonia, Latvia and Lithuania in the twentieth century* (London; New York: Longman, 1991), p. 44.

<sup>65</sup> Vernygora and Chaban, 'New Europe and its neo-regionalism'.

<sup>66</sup> Matthew Doidge, 'From developmental regionalism to developmental interregionalism?' in *NCRE Working Paper 7/1*, July 2007, p. 6. Available from [http://www.europe.canterbury.ac.nz/publications/pdf/Doidge\\_workingpaper0701\\_developmentalregionalism.pdf](http://www.europe.canterbury.ac.nz/publications/pdf/Doidge_workingpaper0701_developmentalregionalism.pdf)

the Baltics is something too important to be overlooked or ignored by the others in the globalised world that has been currently experiencing a challenging period of economic recession.

#### **1.4. Methodological concept of the study**

This dissertation's method of investigation will be based on collecting evidence and ideas in order to analyse and test their theoretical, structural and operational validity in relationships to the chosen lot of research questions.

**Theoretical dimension** of analysis is employed to pick out a concept that is suggested to have direct relevance to a particular research question, and then combine it a larger framework where majority of interactions under study occur or may occur.

**Structural dimension** is understood here as a tool to take a snap-shot of the *status quo*. It is a dimension of a static nature that allows scrutinising the settings, numerous elements of political, business and social cultures, legal structure, proven qualities of a subject as well as visible potential to react in accordance to the rules.

**Operational dimension** has a definite nature of dynamics. Its 'lenses' are to be set up to see how well the paradigm under study realises its potential while working within the static set of coordinates and responding to the dissertation's research questions. This dimension is planned to be a methodological tool in finalising the paper's outcome from a practical point of view. For example, a perspective interaction may not be compatible to the existing (possibly immature) framework that may show some degree of operational immobility, lack of desire, negative attitude or even total incapability for further development.

As this dissertation is among the first attempts to address a deficit of scholarship studying New Zealand relations with the post-Soviet Baltic region, a number of studies on similar sets of interactions are to be taken into account as useful exploratory tools.

The data for this dissertation was obtained from multiple primary and secondary sources employing a variety of methods of data collection with an emphasis on conducting semi-structural (in person) and structural (by e-mail) interviews with key informants in New Zealand and the Baltic States, retaining the records of the interviews. Thoughts, **personal** opinions and ideas expressed by a number of interviewees representing elites (politicians, businessmen, diplomats and scientists) and students who agreed to answer questions from standard questionnaires (see Appendix 1 and 2),<sup>67</sup> are extrapolated on each of the three research questions. A list of interviewees was initially created to reflect equal representation of the two geographical sides on the basis of mirroring a counterpart's position/level/societal status whenever it was possible. Being structured and administered in a similar way, the questionnaires were however deliberately differentiated by the first and the last questions. More specifically, each of the interviewees from the New Zealand side had been asked about Estonia's perspective to become a New Zealand 'hub' in the Baltic, while the Baltic interviewees were given an option to choose from Estonia, Latvia and Lithuania. Neither of the respondents was advised about the title of the research paper, its variables and moderators. Also, the formal request to participate in the survey was ensured to have the same look for both sides.

Several institutions of higher education in the Baltics and New Zealand were asked to distribute the questionnaires among local students (both undergraduates and post-graduates, but strictly citizens of a corresponding country) learning International

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<sup>67</sup> The questionnaires were reviewed and approved by the Ethics Committee of the University of Canterbury.

Relations, or Political Science, or Area Studies, or Business, or Public Administration.

The following educational institutions agreed to participate in the survey and provided significant support – the International University Audentes<sup>68</sup> (Estonia), Tallinn University (Estonia), the Vidzeme University College (Latvia), the Mykolas Romeris University (Vilnius, Lithuania) and the University of Canterbury (New Zealand). *Table 1* indicates the number of people responded to the questionnaires (separated by country and group type). Appendix 3 provides information on the names, positions (at time of the interview) and countries of the elites’ representatives.

Table 1: Number of Interviewees by Country and Group Type

	Estonia	Latvia	Lithuania	New Zealand	<i>Total</i>
Elites	10	2	2	8	22
Students	6	4	12	11	33
<i>Total</i>	16	6	14	19	<b>55</b>

Finally, the significance of this research work is in exploring an area of New Zealand political studies neglected in the past and contributing to the development of the Baltics-New Zealand relations on a new quality level. Although this research is planned to be conducted primarily in New Zealand and for New Zealand, its conclusions and findings could be used and appreciated by both New Zealand and Estonian-Latvian-Lithuanian decision-makers in the field of international relations. This dissertation may also and with necessity lead to a ‘reverse effect’ in interactions when New Zealand may be chosen as a friendly and an easily accessible ‘hub’ for promoting the Baltic States’ interests in the South Pacific region. Also, this paper’s methodological approach, within a certain framework, could be partially or even entirely used for similar investigations in the field.

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<sup>68</sup> In 2009, this educational institution fully merged with the Tallinn University of Technology.

## 2. Is it necessary to be known better?

In June 2007, Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy, delivered a strong message on the need of “upgrading [the EU-New Zealand] relations, to better reflect the sort of relationship we’d like to have”.<sup>69</sup> The EU Commissioner clearly mapped the three key segments where the two parties “want to do more together”, namely “boosting trade and investment, improving security in the Pacific region, and tackling the global issues of energy security and climate change”.<sup>70</sup>

In the logical line with the latter statement, the following September 2007 Joint Declaration on Relations and Cooperation signed between New Zealand and the EU in Lisbon was provisionally intended to reinforce the process of increasing “practical cooperation in areas of mutual interest”.<sup>71</sup> The main emphasis of the document was indisputably on “[t]rade and economic links”, which were described as “fundamental to the sound relationship overall”.<sup>72</sup> This and the other provisions of the document led the then New Zealand Foreign Minister Winston Peters to comment at a time on the Declaration’s “strong forward-looking element”.<sup>73</sup>

With a high number of new Member States having joined the EU since 2004 (the year of the latest declarative agreement between the supranational Union and New Zealand), the EU is in **permanent need** to keep reloading its operational capacity in

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<sup>69</sup> Benita Ferrero-Waldner, ‘Europa Lecture: The European Union and New Zealand – new perspectives’, Te Papa, Wellington, 27 June 2007. Available from [http://www.eucnetwork.org.nz/activities/europa/docs/2007\\_ferrerowaldner\\_address.pdf](http://www.eucnetwork.org.nz/activities/europa/docs/2007_ferrerowaldner_address.pdf).

<sup>70</sup> Ferrero-Waldner.

<sup>71</sup> ‘Joint Declaration on Relations and Cooperation between the European Union and New Zealand’, signed on 21 September 2007, Lisbon. Available from <http://www.mfat.govt.nz/downloads/europe/eu-nz-joint-declaration.pdf>.

<sup>72</sup> ‘Joint Declaration between European Union and New Zealand’.

<sup>73</sup> Winston Peters, ‘Europa Lecture. New Zealand and Europe: a partnership for the 21st Century’, Owen G. Glenn Building, the University of Auckland Business School, Auckland, 12 June 2008. Available from [http://www.eucnetwork.org.nz/activities/europa/docs/2008\\_peters\\_address.pdf](http://www.eucnetwork.org.nz/activities/europa/docs/2008_peters_address.pdf).

order to exhibit it in front of existing and perspective partners located **outside** of European continent.

Arguably, the deepening and widening cooperation with New Zealand is helping the EU to introduce its neophytes' potential to a reliable partner with "close historical, political, economic and cultural connections".<sup>74</sup> In February 2009, this intention was verbally framed by Jose Manuel Barroso, the European Commission President, whose proposal of exploring "a broad and comprehensive agreement encompassing common values" was welcomed by the current New Zealand Prime Minister John Key.<sup>75</sup> Aiming to build on the 2007 Declaration, the New Zealand leader saw the future agreement as a "logical and desirable next step for a relationship of such significance".<sup>76</sup>

For the South Pacific side, a set of new arrangements with the EU means a set of new opportunities in the less familiar parts of the vast European supranational establishment. It goes smoothly with New Zealand's focus on promoting its image, values and achievements in order to find new markets and new reliable partnerships. This statement is evidently supported by a former New Zealand Ambassador to the Baltic States (1992-1994, based in Moscow) Gerald McGhie who, expressing his personal opinion, acknowledged New Zealand's ever-present intention to be "looking to develop new markets".<sup>77</sup> The hardship of the post-1973 period is remembered in the country, but New Zealand, while overcoming its "invariably negative"<sup>78</sup> attitude towards the EU's predecessor, has learned the lesson and managed to remarkably diversify its politico-economical vectors since then. Proving

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<sup>74</sup> 'Joint Declaration between European Union and New Zealand'.

<sup>75</sup> Murray McCully, 'Europa Lecture. New Zealand and the European Union: a new relationship', Auckland, 12 August 2009. Available from <[http://www.eucnetwork.org.nz/docs/2227975-v1-EU\\_Europa\\_Lecture\\_2009\\_\(As\\_Delivered\\_version\).doc](http://www.eucnetwork.org.nz/docs/2227975-v1-EU_Europa_Lecture_2009_(As_Delivered_version).doc)>.

<sup>76</sup> Key.

<sup>77</sup> Gerald McGhie, interview with author, 11 March 2008.

<sup>78</sup> Matthew Gibbons, 'Introduction' in *New Zealand and European Union*, ed. M. Gibbons (Auckland: Pearson, 2008), p. 10.



the latter and underscoring his country's new vision on the post-Cold War Europe, Winston Peters stated in June 2008 that "the European market does not begin and end in Britain".<sup>79</sup>

Considering the above, the question of a need to discover a strategically important group of the EU's newcomers – the Baltics – with obvious intentions to make a proper introduction and experience the area first-hand might look for some policymakers as **increasingly rhetoric** and even **academically naïve**. In reality, a closer look at opportunities for New Zealand in the Baltic States is still required

The general argument of the EU's importance for New Zealand can certainly switch the engine of curiosity on and keep it going for some time, but it can hardly lead a New Zealand decision maker any further. For him or her, the talk is not about the enlarged EU in general – its immense significance for New Zealand is never to be questioned – but about a region of the EU that happened to be one of the least known to New Zealand. One does not have to go too far to prove it. Back in the 1920s, the newly independent Estonia, Latvia and Estonia did not carry a lot of weight in the British foreign policy,<sup>80</sup> not to mention the foreign policies of the British dominions, including New Zealand. The legacy of the past has its traces at present. According to Tõnu Loorpärg, the Honourary Consul of Estonia in Wellington, New Zealanders (elites included) often confuse the 'Baltic' with 'Balkans'.<sup>81</sup> Also, there is a problem of using the term of 'Baltics'/'Baltic States' being wrongly perceived as "some sort of union",<sup>82</sup> repeating the same pattern as of 1920s when the three Baltic States were treated by the British Foreign Office "as a whole".<sup>83</sup>

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<sup>79</sup> Peters, 'Europa Lecture'.

<sup>80</sup> Maria-Liisa Hinkkanen-Lievonen, *British trade in the Baltic States: 1919-1925* (SHS: Helsinki, 1984), p. 108.

<sup>81</sup> Tõnu Loorpärg, interview with author, 4 February 2008.

<sup>82</sup> Loorpärg.

<sup>83</sup> Hinkkanen-Lievonen, p. 107.

With the help of the previously described multidimensional analytical approach – the correlation of **theoretical**, **structural** and **operational** dimensions – this chapter of the dissertation will be testing the factor of the justified necessity for New Zealand to discover the Baltic States directly. So, is it really necessary for the former British dominion in the South Pacific to promote its image, business interests, scientific achievements and political values in Estonia, Latvia and Lithuania?

## **2.1. Theoretical dimension: the wounded globalisation and the re-birth of classic functionalism**

Both New Zealand and the Baltic States are parts of the globalised world. Indeed, among the myriads of positive names, trends and brands, there are some that are distinctly associated with one of the four countries – Anchor butter, Riga sprats, Skype, flat tax, Arvidas Sabonis, the Baltic amber, the Vilnius Conference, the kiwifruits, the All Blacks, and the Singing Revolution others. Each of these examples is known globally, 1) successfully making the image of a locality of its origin, 2) formally or informally acting as a representative of a country, 3) helping to produce similar trends and brands elsewhere, and, in some cases, 4) offering solutions to a problem. At the same time, the fundamental complexity of the present time is underscored by the argument that the globalised environment is not the only available framework to succeed in; otherwise the suggestion about the increasingly rising profile of “participatory alternatives within the global countermovement”<sup>84</sup> would have been baseless. The world’s most recent economic downturn that started in 2008 has arguably damaged the somewhat mythological image of the ever-successful globalisation.

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<sup>84</sup> Philip McMichael, ‘Globalization’ in *The handbook of political sociology: states, civil societies and globalization*, ed. by T. Janoski et al. (New York: Cambridge University Press, 2005), p. 605.

Certainly, the formal definition of the globalisation can significantly vary, depending on how to treat the phenomenon – as “a process, an organising principle, an outcome, a conjuncture, or a project”.<sup>85</sup> When brought down to reality, both terminology and practical tools that are generally accepted only in the context of a particular interaction, could have been successfully used (entirely or partially) to analyse a much broader framework and to give a comprehensive solution to a global problem. However, what was/is supposed to be tackled with a unified global response was/is getting fixed with the help of a number of disintegrated moves made by different countries, institutions and regions, enlightening us to the current situation all countries have to face. The diminishing role of the G-8 (according to Joschka Fisher it has already been “dismissed by history”)<sup>86</sup> the ‘silence’ of the UN, and the growing appearance of the G-20 are indicators of global coordination (or discoordination). In the Asia-Pacific vast region, New Zealand’s ‘home ground’, some observers already noted the APEC’s “credibility problem”<sup>87</sup> that putting the organisation’s relevance “under question”.<sup>88</sup>

Issued by the Bank of England, the estimate of US\$ 2.8 trillion for total global losses in the financial industry during the 2008 market turmoil<sup>89</sup> was an additional proof that globalisation, perhaps in visible contradiction to its own natural goal to generate and generalise both standards and thoughts, did not produce a globally accepted working mechanism on how to solve the planetary politico-economical crisis of relationships.

Apparently, the current situation is a good time for both scholars and practitioners to seek some non-standard approaches in analysing the present. In our case, it is

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<sup>85</sup> McMichael, p. 587.

<sup>86</sup> Joschka Fisher, ‘Up and over the wall and then the rest in history’ in *The Dominion Post*, 4 November 2009, B7.

<sup>87</sup> John Armstrong, ‘A summit in search of identity’ in *The New Zealand Herald*, 12 November 2009, A2.

<sup>88</sup> John Armstrong.

<sup>89</sup> ‘Bad Vibrations’ in *The Economist*, 30 October 2008. Available from <[http://www.economist.com/finance/PrinterFriendly.cfm?story\\_id=12516680](http://www.economist.com/finance/PrinterFriendly.cfm?story_id=12516680)>.

possible to argue that the European-South Pacific cooperation and its outcomes – at the moment and in the future, in the times of global success or global recession – are to be better understood, explained, forecasted and framed within the functions-driven process. **This process can certainly be globalised in its nature, but locally characterised in its outcome.**

In 2008, according to *The International Herald Tribune*, the Baltic States were experiencing “their first serious economic downturn” since restoring independence in 1990s.<sup>90</sup> The New Zealand economy is officially in recession as well. But it is true, too, that the global financial crisis had made both New Zealand’s and the Baltics’ entrepreneurship a lot more innovative and no less optimistic. Marje Josing, Director of the Estonian Institute for Economic Research, argued in October 2008 that “[a] little real-life pressure won’t hurt”.<sup>91</sup> A year later, the experts of the same institution concluded that the “deterioration of the economic that has continued for nine quarters in a row has come to an end”.<sup>92</sup>

After all, despite globalisation is increasingly seen in some places as “a direct threat to traditional ways of living, national identity and democracy”,<sup>93</sup> the return to “life within national borders”<sup>94</sup> seems like the last of all possible scenarios to be ever considered by “multinational firms and transnational nongovernmental groups”.<sup>95</sup> In this sense, functionalism could be found as a provider of necessary linkages to bring prospective interactions into existence and make existing interactions stronger or successfully recovered. In our case, functionalism could establish a roadmap for the

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<sup>90</sup> Carter Dougherty, ‘On the free market frontier in Estonia’ in *The International Herald Tribune*, 9 October 2008. Available from <<http://iht.com/bin/printfriendly.php?id=16825995>>.

<sup>91</sup> Marje Josing, as quoted in Carter Dougherty.

<sup>92</sup> ‘Downtrend in Estonian economy has come to an end – Institute’. Available from <<http://investestonia.com/index.php/news/275-downtrend-in-estonian-economy-has-come-to-an-end-institute>>.

<sup>93</sup> Anna Michalski and Christine Cheyne, ‘New Zealand and the EU: approaches to socio-economic change in a globalised world’ in *Europe-New Zealand Research Series*, June 2007, p. 5.

<sup>94</sup> Haas, p. 448.

<sup>95</sup> Haas, p. 448.

potentially long-term partnership between New Zealand and the Baltics, giving the process a needed ‘kick-off’.

For New Zealand, due to the country’s geographical but not political, economical or ideological isolation from the EU, the emergence of the Baltics behind the EU’s “Golden Curtain”<sup>96</sup> is suggested to be noticed in the global context **firstly** (and **primarily**) and in the European framework, **secondly**. In other words, and this a part of the argument to be discussed further, the democratic and transparent Estonian, Latvian and Lithuanian ‘puzzles’ of the EU’s grand picture are logical and easy-to-deal-with partners for New Zealand. Presently, regardless of its diversification and relative stability in the sphere of economic cooperation with the rest of the world, New Zealand is interested in getting favourable attention outside of its traditional circle of well-known partners, and let us prove it.

### 2.1.1. The global context

Back in 1932, Mitrany argued that the process of transferring functions from the local field to the international level is generally faster than the “corresponding change in legal doctrine”.<sup>97</sup> This classic argument is as valid as ever in nowadays. More specifically, the mechanisms of functional spillover, with their overwhelming emphasis on economic policies,<sup>98</sup> are naturally represented in foreign policies and on the broad societal level, too. Marko Mihkelson, the Chairman of the EU Affairs Committee of the Estonian parliament, stated the following:

In our world, there are many dynamic issues we must react on and in close cooperation with many countries. This is a natural part of our foreign policy agenda

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<sup>96</sup> Johnson, p. 284

<sup>97</sup> David Mitrany, ‘The process of international government’ (1932) in *The functional theory of politics* (Martin Robertson & Company: Bristol, London School of Economics and Political Science, 1975), p. 96.

<sup>98</sup> Michael E. Smith, *Europe’s foreign and security policy. The institutionalization of cooperation* (Cambridge: Cambridge University Press, 2004), p. 28.

to be more global [to be able] to reach more countries and establish closer relations with nations whose views are similar to ours.<sup>99</sup>

Such a statement can lead to a suggestion that there is no real need for both New Zealand and the Baltics to have a great deal of ‘homework’ done prior to getting engaged by various cooperative links. Indeed, the initial steps towards each other could be made, according to Smith, without having “institutional structures, or even in the absence of deliberate efforts to coordinate policy”.<sup>100</sup> This is where a potential partner’s reputable status plays its important role, and the issue of geographic isolation immediately becomes somewhat secondary or irrelevant.

New Zealand is arguably a well-respected country among the Baltic States. The following three examples are to illustrate such sentiments towards New Zealand expressed by high-ranked officials in each of the Baltic States. Talking on the subject, Mart Laar, the former Prime Minister of Estonia,<sup>101</sup> stated that New Zealand’s reputation “is positive as one of the radical reformers in the world”.<sup>102</sup> According to Indulis Bērziņš, the former Foreign Minister of Latvia, his country sees New Zealand “as partners and experts in the [Pacific] region”.<sup>103</sup> On her turn, Diana Mickevičienė, Director of the Asia Pacific Division of the Lithuanian Foreign Ministry, argued that “New Zealand’s reputation in Lithuania is very high” adding that it is “considered a like-minded country, also very much respected for her successful agricultural policies”.<sup>104</sup> To sum up on the matter, it is empirically evident that the Baltic States would have welcomed ‘more of New Zealand’s presence’ in their region, should it want to become a lot more ‘visible’ for Estonia, Latvia and Lithuania.

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<sup>99</sup> Marko Mihkelson, interview with author, 25 July 2007.

<sup>100</sup> Smith, p. 18.

<sup>101</sup> ‘Floret Estonia’ in *The Economist*, 5 April 2007. Available from [http://www.economist.com/daily/columns/euroview/PrinterFriendly.cfm?story\\_id=8952608](http://www.economist.com/daily/columns/euroview/PrinterFriendly.cfm?story_id=8952608).

<sup>102</sup> Mart Laar, interview with author, 18 February 2008.

<sup>103</sup> Indulis Bērziņš, interview with author, 21 May 2007.

<sup>104</sup> Diana Mickevičienė, interview with author, 13 March 2008.

As for New Zealand, historically, a potential partner's reliability is among the most important qualities it is searching for. For example, the country takes certain pride in its long-term participation in the OECD. It is a typical working example of functionalism that, using Mitrany's other classic expression, is trying to take care "of the common material needs"<sup>105</sup> of members. Importantly, as suggested by Saar, the OECD as a "global advisory forum [...] cannot be biased".<sup>106</sup>

Apart from an intention to make its own voice heard and to learn from different countries' experiences,<sup>107</sup> New Zealand's relationships with the other members of the OECD are arguably highlighted by a degree of stability as well as general predictability. Therefore the green light given in December 2007 to Estonia for the start of accession talks with the OECD<sup>108</sup> – it was a clear sign of the Baltic country's good perspectives on the global arena – could have become an additional strong signal for the official Wellington to go ahead with enhancing cooperation with official Tallinn and/or perhaps with the Baltics via Tallinn. Having "reformed its economy rapidly, successfully and thoroughly", Estonia's declared intention (as a prospective OECD member) "is not only learn from others, but [...] to share"<sup>109</sup> also. On 10 May 2010, the process eventuated with the Estonian state (together with Slovenia and Israel) being officially invited to join the OECD.<sup>110</sup>

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<sup>105</sup> David Mitrany, 'Nationality and nationalism' (1938 and early 1950s) in *The functional theory of politics* (Martin Robertson & Company: Bristol, London School of Economics and Political Science, 1975), p. 145.

<sup>106</sup> Kairi Saar, 'Estonia's road to the OECD' in *2010 Estonian Ministry of Foreign Affairs Yearbook*, p. 61. Available from <<http://www.vm.ee/?q=en/node/9228>>.

<sup>107</sup> 'Trade and economic relations' in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/trade-and-Economic-Relations/OECD/index.php>>.

<sup>108</sup> 'OECD countries launch accession talks with five prospective new members' in *the OECD official web portal*. Available from

<[http://www.oecd.org/document/20/0,3343,en\\_33873108\\_39418677\\_39717140\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/20/0,3343,en_33873108_39418677_39717140_1_1_1_1,00.html)>.

<sup>109</sup> Saar, p. 60.

<sup>110</sup> 'Accession: Estonia, Israel and Slovenia invited to join OECD' (2010). In the OECD official web portal, 10.May. <[http://www.oecd.org/document/57/0,3343,en\\_2649\\_201185\\_45159737\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/57/0,3343,en_2649_201185_45159737_1_1_1_1,00.html)>

Generally, an OECD country is where business enjoys business-friendly regulations. As a top performer in world ranking on the ease of doing business, New Zealand entrepreneurship may have already noticed that the Baltic States would be constantly ranked among the countries with transparent and efficient business regulations, too (see *Table 2* below).

Table 2: Ranking On the Ease of Doing Business<sup>111</sup>

Year/country	2007	2008	2009	2010
New Zealand	2	2	2	2
United Kingdom	6	6	6	5
United States	3	3	3	4
Estonia	17	17	22	24
Latvia	24	22	29	27
Lithuania	16	26	28	26
Poland	75	74	76	72
Georgia	37	18	15	11
Russia	96	106	120	120

### 2.1.2. The Baltics in the EU-New Zealand framework – an addition to the existing geo-political vocabulary

The current geo-political *status-quo* represents the Baltics as an integral part of the EU. Thus New Zealand, interacting with the EU, directly and indirectly does it with the Baltic States as well. The contrary works in the identical way – New Zealand’s steps towards Estonia, Latvia or Lithuania are the steps towards the EU as a whole. Given the fact that the Baltics of the EU are **operationally more capable and sophisticated** than the Baltics on their own, this kind of a contemporary framework makes the process both simpler and a lot more complicated in the same time. In our

<sup>111</sup> ‘Economy Rankings’ in *Doing Business*. Available from <<http://www.doingbusiness.org/rankings>>.



particular case, this type of bilateralism appears to have a distinct dualistic nature as each of the Baltics is an independent state and the EU is an internationally recognised supranational body.

A factor that brings some complexity into New Zealand's cooperation with the EU-27 is the actual size of the supranational entity. A high number of the Union's newcomers made it challenging for New Zealand to keep up with the EU's activities in order to "remain a relevant and attractive partner".<sup>112</sup> Moreover, New Zealand's closest partner and neighbour Australia – regardless of its confident stance as well as economic and political might – pays extra attention to some of the unique features of the EU. The Australian government makes it explicitly clear for the country's business circles to treat the EU as a **non-homogenous single market**, advising to always take into account "[n]ational characteristics, histories, cultures, languages, demographics and incomes [...] before doing business in the EU".<sup>113</sup>

A period of time when New Zealand politicians making official trips to Europe had to face back-at-home-prepared accusations of wasting time and money<sup>114</sup> is in the past now. Also, it is likely to be treated as an ancient history, there were situations when Kiwis, according to some of the EU diplomats quoted by Gibbons, appeared "unable to mention the EU without immediately referring to (largely) historic disputes over butter quotas".<sup>115</sup> But while trying to take the most out of its 11 governmental agencies based at the country's 10 European embassies,<sup>116</sup> it is still necessary for New Zealand to quickly make some additions to the country's existing

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<sup>112</sup> Phil Goff, 'New Zealand and Europe: past and future relations and opportunities', Speech to New Zealand-Europe Council, Royal Yacht Squadron, Auckland, 20 June 2008.

<sup>113</sup> 'European Union' in *Australian Government official web portal*. Available from <<http://austrade.gov.au/European-Union/default.aspx>>.

<sup>114</sup> Martin Holland and Matthew Gibbons, 'People-to-people political links' in *New Zealand and European Union*, ed. M. Gibbons (Auckland: Pearson, 2008), p. 109.

<sup>115</sup> Holland and Gibbons.

<sup>116</sup> Goff, 'New Zealand and Europe'. See also 'New Zealand Representatives overseas' in *New Zealand Ministry of Foreign Affairs and Trade official web portal* <<http://www.mfat.govt.nz/includes/pdf/New-Zealand-Representatives-Overseas.php>>.

geo-political vocabulary and to get accustomed to the range of new actors in the European arena.

As an example, the fact of Slovenian presidency in the EU is already a history, but the small Alpine Central European state did not exist as an independent country less than 20 years ago. Therefore Slovenia was, like the Baltics, almost unknown in New Zealand that had been living and acting in a different system of political coordinates. As a result, back in 2003, those four European countries topped the table showing the least per cent of New Zealand residents who had personal links with.<sup>117</sup> The situation hardly changed three years later when a similar survey was conducted by the more extended international team of researches – Estonia, Latvia and Slovenia were mentioned by the least number of New Zealand respondents as countries, with which they have personal or professional connections; Lithuania did not appear in the table at all.<sup>118</sup>

At the same very time, providing a global perspective, the example of Slovenia, the wealthiest post-Communist country, was frequently mentioned by some of international observers in conjunction with Estonia. In October 2005, *The Economist* reported about some kind of informal friendly competition taking place between the two countries – Slovenian relative superiority was challenged by Estonia, the then fastest growing economy in Europe.<sup>119</sup> The edition quoted Janez Jansa, the Slovenian Prime Minister, expressing epithets to Estonia's flat tax rate, public administration and describing Estonia as a “good example” for his own country.<sup>120</sup> According to the 2010 Transparency International Corruption Perception Index, Estonia and Slovenia are the two least corrupt post-Communist countries

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<sup>117</sup> Martin Holland and Natalia Chaban, *External perception of the European Union: a survey of New Zealanders' perceptions and attitudes towards the European Union* (Christchurch: National Centre for Research on Europe, 2003), p. 21, as quoted in Holland and Gibbons, p. 108.

<sup>118</sup> *The EU through the eyes of the Asia-Pacific: public perceptions and media representations*, p. 43.

<sup>119</sup> ‘When small is beautifully successful’ in *The Economist*, 13 October 2005. Available from <[http://economist.com/World/europe/PrinterFriendly.cfm?story\\_id=5025737](http://economist.com/World/europe/PrinterFriendly.cfm?story_id=5025737)>.

<sup>120</sup> ‘When small is beautifully successful’.

(correspondingly holding 26<sup>th</sup> and 27<sup>th</sup> places in the list of 178 countries, leaving Spain, Portugal, Poland and Italy behind).<sup>121</sup>

Such and similar *nouvelle* European trends have relevance to New Zealand. The country's recognition of and timely reaction on the emergence of new European actors, especially in the constantly transforming EU of its latest version, are to help New Zealand in establishing a set of distinctive trajectories (a definite sign of functionalism) within the EU-related policies. Given the fact that New Zealand still has "relatively low tariff EU quota for cheese, butter, and beef and a large zero tariff quota for sheep meat",<sup>122</sup> **one of the goals** could be to have a better access to what was described by Goff as "home to people with the highest amount of purchasing power".<sup>123</sup> **Another goal** could be framed by a desire to not make the same mistake over and over again, failing to recognise a perspective partner's functional capacity right in time. According to Winston Peters, a generation ago, New Zealanders saw the Republic of Ireland and Spain as "impoverished".<sup>124</sup> There is a big question whether New Zealand was among the first nations to foresee those two countries' remarkable improvements or not.

In July 2008, Peter Kennedy, the New Zealand Ambassador to the EU, acting on behalf of New Zealand signed the Agreement on Scientific and Technological Cooperation between the EU and New Zealand.<sup>125</sup> Having entered into force in January 2009, this important document is helping to significantly increase international cooperation between researches from the two sides – for example, via the International Research Stuff Exchange Scheme that is designed to support the

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<sup>121</sup> 'Corruption Perception Index 2010' in *Transparency International official web portal*. Available from <[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results)>

<sup>122</sup> Caroline Saunders, 'Future market access issues for New Zealand's agricultural exports to the EU', in *New Zealand and European Union*, ed. M. Gibbons (Auckland: Pearson, 2008), p. 127.

<sup>123</sup> Goff, 'New Zealand and Europe'.

<sup>124</sup> Peters, 'Europa Lecture'.

<sup>125</sup> 'New Zealand Signs Agreement with the European Union on science and technology cooperation', 14 October 2008. Available from <<http://www.nzembassy.com/news.cfm?CFID=>>>.

EU-based institutions in their collaboration with colleagues elsewhere.<sup>126</sup> According to the EU's Lisbon Strategy adopted by the European Council in March 2000,<sup>127</sup> the supranational entity's goal "to make Europe the most dynamic and competitive, knowledge-based economy in the world".<sup>128</sup> In the light of this comprehensive policy and in spite of its evident implementation deficit, New Zealand will only be benefiting from collaboration with the EU.

It is suggested that cooperation-related efforts "can be narrow or comprehensive in scope".<sup>129</sup> In case of the New Zealand – the Baltics interaction, the functional logic and lack of historical experience dictate smaller steps to be made first. For example, declared by Estonia in 1993, the unilateral abolishment of the visa requirement for the New Zealand citizens would be described as a small but extremely positive sign in the relationship building process. These types of function-driven tactical elements usually lead to "an array of possible outcomes, from [...] sharing information to [...] pooling resources for joint actions".<sup>130</sup>

Expressing his opinion on the subject, Mihkelson stated the following:

I know that the student exchange process is pretty much there already for some years, but we need to think in a sophisticated way on what sort of programmes that institutions, organizations or universities could be offered for business people from both sides. Certainly, there is a big potential that is not used yet.<sup>131</sup>

Arguably, one of the best examples of steps forward is the establishment of the New Zealand Working Holiday Scheme (WHS) for the citizens of Estonia and Latvia (the

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<sup>126</sup> 'New Zealand Signs Agreement with the European Union on science and technology cooperation'.

<sup>127</sup> 'Lisbon Strategy' in *European Commission*. Available from [http://europa.eu/scadplus/glossary/lisbon\\_strategy\\_en.htm](http://europa.eu/scadplus/glossary/lisbon_strategy_en.htm).

<sup>128</sup> Theodius Lennon and Pierre Valette, 'The impact of research, a legitimate return for Society' in *Assessing the social and environmental impacts of European research* (Luxembourg: Office for Official Publications of the European Commission, 2005), p. 5.

<sup>129</sup> Smith, p. 22.

<sup>130</sup> Smith, p. 36.

<sup>131</sup> Mihkelson.

programme for Lithuanians is yet to be finalised). Having been commenced in 2007, the WHS runs identically for both Estonian and Latvian nationals: New Zealand is announcing 200 places available annually to young citizens of Estonia and Latvia (100 places for each country) for a stay of 12 months.<sup>132</sup> Apart from meeting certain character requirements, the WHS participants must not bring children with them, have a minimum of NZ\$ 4,200 available, be at least 18 and not more than 30 years old, and be coming to New Zealand to holiday (prime reason), with work being a secondary intention.<sup>133</sup> Since its commencement, as confirmed by the Estonian Foreign Minister Urmas Paet, the WHS has been used by 2 New Zealanders and 67 Estonians.<sup>134</sup>

## 2.2. The Baltic States and New Zealand – where are they at?

Delivering her keynote address at an international conference in September 2008, Margaret Wilson, spoke about her country's need "to be constantly aware of what is happening elsewhere".<sup>135</sup> Indeed, a South Pacific constitutional monarchy and a classic democracy, New Zealand has been gradually adjusting its foreign policy, drifting from traditional (and quite explainable) British-orientated vectors towards becoming more international.

Clearly, the country's current prime focus is "on bilateral and regional relations in the areas closest to [New Zealand]",<sup>136</sup> politically pointing to and economically

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<sup>132</sup> 'Estonia Working Holiday Scheme' and 'Latvia Working Holiday Scheme' in *the Immigration New Zealand official web portal*. Available from

<<http://www.immigration.govt.nz/migrant/stream/work/workingholiday/estoniawhs.htm>> and <<http://www.immigration.govt.nz/migrant/stream/work/workingholiday/latviawhs.htm>>.

<sup>133</sup> 'Estonia Working Holiday Scheme' and 'Latvia Working Holiday Scheme'.

<sup>134</sup> 'Foreign Minister Paet met with colleagues from New Zealand and Tunisia' in *Estonian Ministry of Foreign Affairs official web portal*, 24 September 2010. Available from <<http://www.vm.ee/?q=en/node/9978>>

<sup>135</sup> Margaret Wilson, 'Keynote Address', International Conference 'Europe in the changing world: challenges, priorities and research collaboration', Christchurch, 26 September 2008.

<sup>136</sup> Helen Clark, 'New Zealand foreign policy', Oxford Union Debating Chamber Frewin Court, Oxford, 1 October 2007 (European time). Available from <<http://www.scoop.co.nz/stories/PA0710/S00026.htm>>

‘making it up with’ the Asia Pacific vast territory, which was largely ignored by New Zealand a half of a century before. At the same time, the European continent, one of the most lucrative markets for New Zealand goods, still has got a unique quality to attract New Zealand business circles and politicum. The EU countries have significant financial interest in New Zealand, too – the UK, for example, is “by far the largest single source of foreign portfolio investment in New Zealand”.<sup>137</sup>

Talking to and dealing with Europe, and more specifically – to/with the EU, a small New Zealand is arguably succeeding in diminishing the ever-present “might is right”<sup>138</sup> framework, primarily due to the country’s firm stance on global humanitarian issues, comprehensive climate change and free trade debates and nuclear-free image. In a number of cases, New Zealand’s classy performance in dealing with the EU – two-way trade is approximately NZ\$ 12 billion a year<sup>139</sup> – looks like a real feat as the European Common Agricultural Policy (CAP) is far from being abolished yet. The CAP – it accounts to almost a half of the EU’s budget – is certainly limiting New Zealand’s access to the EU market. But having been battling against the tens of billions of euros of the EU’s subsidies to its farmers, is New Zealand realising its true potential and doing enough to promote itself in the enlarged EU, an entity that has changed so much in the last 10 years?

According to Murray, New Zealand’s closest neighbour and the main trading partner Australia, despite holding about a half of its international reserves in euros,<sup>140</sup> has “failed to take notice” that the EU “grew and evolved”.<sup>141</sup> What about New Zealand?

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<sup>137</sup> ‘New Zealand investment relationship with selected countries’ in *Statistics New Zealand*. Available from <[http://www.stats.govt.nz/browse\\_for\\_stats/work\\_income\\_and\\_spending/income/nzs-investment-relationship-with-selected-countries.aspx](http://www.stats.govt.nz/browse_for_stats/work_income_and_spending/income/nzs-investment-relationship-with-selected-countries.aspx)>

<sup>138</sup> Clark, ‘New Zealand foreign policy’.

<sup>139</sup> ‘EU-New Zealand: trade relations’ in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/Foreign-Relations/Europe/0-eu-nz-trade-relations.php>>.

<sup>140</sup> Murray, p. 170.

<sup>141</sup> Murray, p. 175.

Keeping in mind its prime focus on trade, let us have a glance on New Zealand's trade figures with the Baltic States as well as a number of other European nations, so the *status quo* could be seen. *Tables 3 and 4* represent New Zealand export and import merchandise trade with the Baltics for the period from their accession to the EU until now. The figures on trade with Georgia, Finland, Poland and Ukraine are shown for comparative reason.

Table 3: New Zealand Total Export Merchandise Trade with the Baltic States, Finland, Georgia, Poland and Ukraine (FOB NZ\$)<sup>142</sup>

<b>Year/country</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Estonia	1,926,482	2,416,249	3,009,840	2,185,126	3,295,227	1,257,080
Latvia	3,785,459	2,393,049	4,130,003	4,019,069	5,403,012	2,208,227
Lithuania	7,404,658	7,460,073	11,499,960	8,151,653	11,339,876	8,222,768
<i>Total Baltics</i>	<i>13,116,599</i>	<i>12,269,371</i>	<i>18,639,803</i>	<i>14,355,848</i>	<i>20,038,115</i>	<i>11,688,075</i>
Ukraine	1,683,840	3,330,029	7,692,205	13,523,246	22,875,014	10,074,943
Georgia	16,800,044	4,381,914	11,910,458	13,668,300	25,428,870	12,249,945
Finland	18,952,737	20,957,746	25,301,895	25,097,480	28,463,677	18,164,192
Poland	15,269,885	15,484,734	13,983,104	19,092,507	20,848,029	11,249,806

Commencing with the exporting side, one can note a highly sporadic nature of the process. In the period from 2008 to 2009, Poland alone took about as much of New Zealand goods as the Baltics all together. However, this fact does not necessarily mean that such a pattern is going to be repetitive in the future. The 2010 year to date export figures show that the three Baltics consumed more of New Zealand goods than Poland, with Lithuania being on the par with its big south-western neighbour. Arguably, the proper 'homework' on Poland (this country's population is almost 12 times more than of Lithuania's) is yet to be done by New Zealand exporters.

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<sup>142</sup> *Statistics New Zealand.*

In 2009, New Zealand wool accounted to 53 per cent of the country's export to Lithuania, 39 per cent to Latvia and 32 per cent to Estonia. The other noticeable export commodities were 'Fish and crustaceans' and 'Fruit and nuts' for Lithuania (correspondingly, 17 per cent and 6 per cent of its New Zealand-related figures), 'Beverages and spirits' for Latvia (45 per cent) and 'Optical, photographic, cinematographic, measuring, checking, medical instruments' for Estonia (18 per cent). In general, New Zealand export to the Baltics can be described as fairly small. But if it is compared to its export-related interactions with Finland, the Baltic States' immediate neighbour with population smaller than of the trio's total, throughout the last decade, New Zealand potential in the Baltics is far from being fully realised. One can argue that an Estonian would rather buy dairy produce from a local farmer rather than spending kroons on Kiwi butter, but this particular item is not the only product New Zealand could offer to the Baltics to make its 'trading presence' in the region more substantial. Wine, farming machinery and equipment, sheep breeding technologies, wool, king salmon and lamb – all these New Zealand trade-mark products, with the right marketing strategy, could find reliable clients in Estonia, Latvia and Lithuania.

Table 4: New Zealand Total Import Merchandise Trade with the Baltic States, Finland, Georgia, Poland and Ukraine (CIF NZ\$)<sup>143</sup>

<b>Year/country</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Estonia	632,401	1,195,050	2,713,031	653,006	1,821,630	3,285,404
Latvia	855,898	1,328,623	1,140,463	896,031	1,814,882	1,802,924
Lithuania	366,618	212,797	696,495	815,999	52,861,635	1,927,331
<i>Total Baltics</i>	<i>1,854,917</i>	<i>2,736,470</i>	<i>4,549,989</i>	<i>2,365,036</i>	<i>56,498,147</i>	<i>7,015,659</i>
Ukraine	4,180,967	6,804,901	6,170,623	4,420,211	13,664,694	4,586,569
Georgia	94,181	163,342	464,343	38,291	677,173	142,273
Finland	204,912,429	183,649,290	163,562,0015	147,113,489	177,395,749	167,623,837
Poland	23,901,440	35,938,485	24,415,618	30,612,083	40,414,463	43,040,529

<sup>143</sup> *Statistics New Zealand.*



Evidently, the New Zealand import from the Baltics is currently even more sporadic than the export. For example, having imported goods from the Baltic States for less than NZ\$ 3 million in 2007, New Zealand suddenly purchased mineral fuel from Lithuania for NZ\$ 50 million a year later. In 2009, everything returned to a modest scale of things, even though the import from the Baltics tripled as compared to the 2007 indicators. As for imported commodities in 2009, the only sizable input arrived from Estonia with ‘Electrical machinery and equipment’ – it was attributed to 80 per cent of the Baltic country’s goods sent to New Zealand (NZ\$ 2,655,000) and 37 per cent of the total import from the Baltic States. At present, the trade between New Zealand and the Baltics represents a positive *saldo* for the former, and it is likely to grow in New Zealand favour. On this background, the trading disbalance that New Zealand is experiencing with Finland deserves attention. Not only the technologically advanced Finnish state sent ‘Paper and paperboard’ (NZ\$ 30 million), ‘Boilers, machinery and mechanical appliances’ (NZ\$ 33 million) and ‘Electrical machinery and equipment’ (NZ\$ 30 million) to the South Pacific nation in 2009. New Zealand also spent NZ\$ 27.5 million to purchase ‘Meat and edible meat offal’ from Finland, too (it accounted to 16 per cent of its import from Finland and was more than New Zealand total import to that country).

Overall, this kind of dynamics, regardless of its certain degree of chaos, could be better analysed closer to the end of the global economic recession as the export-import indicators have already picked up in the second half of 2010. It is suggested that for New Zealand, enhancing cooperation with the enlarged EU, is necessary to have “a wider relationship, one in which each partner can see benefit from contributing towards”.<sup>144</sup> For the Baltics, the need in finding reliable partners has always been vital as well. Getting back to the 1991-1992 period, Priit Pallum remembered his newly independent country’s “conscious decision”<sup>145</sup> to quickly get

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<sup>144</sup> John Larkindale, interview with author, 22 October 2007.

<sup>145</sup> Priit Pallum, interview with author, 25 July 2007.

into trading activity with the wider world. Moreover, a better level of New Zealand representation in the region (with the help of two embassies established in Warsaw and Stockholm) is firmly framing one of the newest strategic vectors in New Zealand foreign policy – it is directly pointing to the broader Baltic region that includes Estonia, Latvia and Lithuania. This approach should generate more knowledge about the Baltic States’ potential – during the Soviet-times, New Zealand representatives in the area were rare guests in the Baltics for several reasons. Some of New Zealand Ambassadors to the Soviet Union never visited the Baltic trio at all.

### **2.3. Operational capacity of cooperation**

Interestingly enough, the EU’s operational ‘set-back’, caused by the Irish rejection of the Lisbon Treaty in June 2008, echoed in New Zealand in the most unexpected way. The country’s major business edition, *The National Business Review*, ironically suggested that New Zealand should “push its case”<sup>146</sup> to join the EU, if “the Irish are serious in wanting out”.<sup>147</sup> Elaborating a bit further and possibly entering the sphere of political ‘science fiction’, given that New Zealand could have easily fulfilled necessary requirements to become an EU Member, the geographical isolation should not have been treated as a major obstacle.

On a serious note, aiming to collect both elite representatives’ and students’ views on the necessity for New Zealand to promote its image, business interests, scientific achievements and political values in the Baltic States, a small survey was conducted in the period from 2007 to 2009. Some of the main findings are as follows:

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<sup>146</sup> Nevil Gibson, ‘NZ to Ireland: let us take your place’ in *The National Business Review*, 17 June 2008. Available from <<http://www.nbr.co.nz/comment/nevil-gibson/nz-ireland-let-us-take-your-place>>.

<sup>147</sup> Gibson.

**Question 1 – Appendix 1 (for New Zealand respondents):**

*Is it necessary for New Zealand to promote its image, business interests, scientific achievements and political values in the Baltic States, one of the newest parts of the European Union?*

1. 79 per cent of respondents (17 people) answered positively.
2. Overwhelming majority of respondents (95 per cent or 18 individuals) decided to elaborate on the issue rather than giving a simplistic ‘yes/no’ answer.
3. 100 per cent of elite representatives (8 in total) responded positively.
4. From 11 students who agreed to take part in the survey, 2 (18 per cent) answered negatively to the question; one of the two answers was given in the form of “not really”.

A number of patterns were found in the answers. The ‘**small country**’ theme was mentioned by three elite representatives and four students (37 per cent of all respondents). In three of the seven answers, New Zealand and the Baltic States were mentioned together in the context of their sizes – “New Zealand and the Baltic countries are all small” (elite), “New Zealand as a country that is of a similar size [to the Baltics]” (elite), and “[...] important for New Zealand to maintain contact with other small countries” (student). The remaining four respondents opted to be one-sided in describing the entities’ sizes – “New Zealand seems to be a too small country to those Baltic States” (student), “[New Zealand] as a small state that has the potential to be isolated from global issues and interests” (student), “The Baltics States are too small to be important to New Zealand” (student), and “[W]ith around 7 million inhabitants the Baltics comprise a very small market” (elite).

Another pattern could be named as ‘**similar values**’. Four respondents (21 per cent) acknowledged a high level of similarity between New Zealand and the Baltics in terms of fundamental values. For example, “New Zealand and the EU have traditionally been aligned on global political issues” (student), “Baltic States [...] as

three voices in the EU with many similar interests and policies to New Zealand” (elite), “New Zealand and the Baltics States share a number of fundamental values” (elite), and “[...] similarity of perspectives and values, based on importance of democracy and the rule of law” and “[...] working as likeminded countries on the international stage” (elite).

The **economic factors** in cooperation with the Baltics **are of prime importance** for Kiwis. Ten respondents (53 per cent), including six students and four elite representatives, prioritised economic/business indicators in their answers. A statement about New Zealand as an “open economy” (student) is reinforced by a note that the “image of New Zealand goes hand in hand with the marketability of New Zealand business” (student). In addition, the Baltics are seen as “more important partners as their economies have opened” (student). Emphasising the general importance of trade with the EU, a respondent specified that “obviously trade with new [Member] States will be important, too” (student). A student argued that “New Zealand has a very strong need to promote itself as a business and tourism location in parts of the world such as the Baltic States”. A note about “great potential benefit” (student) was indirectly reframed by several forward-looking statements regarding the ways to “work together to our mutual advantages” (elite) and New Zealand’s permanent desire to “be looking to develop new markets” (elite). The same interviewee also commented that New Zealand should not forget about “the bottom-line value” as the key indicator of economic efficiency. Some of respondents were very specific, putting accent on the Baltic States’ interest “in New Zealand farming practice and how it can be applied in their own countries” (elite) or making emphasis that the Baltics “have their own characteristics both culturally but especially economically” with Estonia and Latvia being “more economically advanced than Lithuania” (elite).

Being indicated by four respondents (21 per cent), the last pattern has a dichotomist nature and is arguably based on (or can be explained by) the ambiguous **format of the contemporary EU**. Should New Zealand forget about the fact that the EU's Member States are still *de jure* sovereign countries and start concentrating on dealing with the EU's supranational institutions only? Or should decision makers from New Zealand establish connections directly with the Member States as well? Indeed, the political environment where the EU's Member States are still dominant but not the only actors<sup>148</sup> seems highly innovative for New Zealand. In order to maintain the country's wider interest in the EU, a respondent underscored the importance for New Zealand to "be able to engage separately with each country [of the EU]" (elite). In the line with the latter statement, a student stressed on the fact that "[p]eople think that Europe is just 'the big three' [Germany, the UK and France] and do not realise the untapped potential existing in the rest of Europe". Another lot of opinions were based on the necessity to deal with the Baltics "predominantly in the context of the EU rather than for bilateral linkages" (elite) and that the Baltic States "are also new Member States of the EU and the EU is very important to New Zealand" (elite).

<i>Summary of Patterns</i>
The 'small country' theme
Similarity of fundamental values that the Baltics and New Zealand share
Economic factors are of prime importance
Dealing with the EU or with the Member States separately?

<sup>148</sup> Thomas Pedersen, *Germany, France, and the integration of Europe: a realist interpretation*. (London; New York: Pinter, 1998), p. 14.

**Question 2 – Appendix 2 (for the Baltics):**

*Would you think that New Zealand has chances to be welcomed by both elites and the public in the Baltic region (particularly in Estonia or Latvia or Lithuania) as a potential high-scale partner of the Baltic States?*

1. 75 per cent of respondents (27 individuals) gave positive answers to this question.
2. 83 per cent (or 30 people) decided to explain why they had given a particular answer.
3. 100 per cent of respondents from Estonia (16 participants) who answered the question positively were accompanied by 50 per cent of the Latvian total (3) and 71 per cent of Lithuanians (10).
4. The question was misunderstood by 3 participants (one student from Latvia and the other two were Lithuanian students); no signs of misunderstanding shown by the Estonian part of the group that was the largest of the three.

Before commencing with a number of patterns found in the answers, it would be worthwhile mentioning that the supposedly predictable lack of knowledge about New Zealand among the respondents from the Baltic States did not appear to be the case in this sample. On the contrary, many respondents (nine individuals or 25 per cent) were willing to give their thought or vision on the issues directly related to *New Zealand international profile and the country's identity* or how they perceive it. A view that “[t]here is no public opinion about New Zealand at all” (student, Latvia), was not supported by the others. For example, New Zealand was described as “a cradle of social democracy” (student, Estonia) as well as “one of the oldest democracies in the world [...], a typically developed Western country” (student, Estonia). A respondent from the elite group noted that New Zealand’s “experiences were important for Estonia in transition process”. A similar comment had a future-pointing vector stating that the “ordinary Lithuanians do not view New Zealand just as a far-away country, but rather a very attractive and successful country, which

could teach us a lot” (elite). The next individual underscored that “New Zealand is [a] more developed country than Lithuania” (student). There was also a statement that “New Zealand is perhaps perceived more ‘European’ by Estonians than many [of] European countries, especially in Southern Europe” (student). In addition, for the other respondent, the image of the distant South Pacific country was associated with the taste of New Zealand lamb stake – “[i]t tastes more than delicious” – and a possibility to order it at a Tallinn restaurant (student, Estonia). At the same time, the knowledge about New Zealand and its European as well as Asia-Pacific roots sometimes led a respondent towards asking a problematic question on the “kind of identity New Zealand sees in the future [for itself]” (elite, Latvia). The latter view was partially supported by a commenter who argued that “New Zealand depends [on the] other region” (student, Latvia), with a possible meaning that the country became too attached to the area of its location to look for new partners elsewhere.

The next pattern – the *similarity of values* – was distinctly framed by six respondents. New Zealand was seen as “a like-minded country” to Lithuania (elite). It was also argued that the Latvian state does “not have any kind of bilateral problems with New Zealand” (elite). The response from the Estonian side was very much in the same line – “we do not have big differences, there are quite a lot of values that we share” (elite) and “New Zealand and Estonia share the same values and beliefs on various matters” (elite). Moreover, there was a statement claiming that both New Zealand and Estonia “have appropriate conditions for doing business, such as effective market economy that ensures stable and reliable business climate [...] where corruption practically does not exist” (elite). Lastly for this pattern, a respondent noted that “mentally and psychologically [...] it is a very logical way to have more contacts” with New Zealand (elite, Estonia).

In continuation of the similarity pattern, there were three comments on *the sizes of New Zealand and the Baltics*. One respondent noted “a similarity of physical size

and population between New Zealand and the Baltics States” (elite, Latvia). The other one wrote about the “comparative size of our countries” (elite, Estonia). There was also a statement made by an Estonian student that “certain views about life and attitudes should coincide with two of our countries both on macro and micro level”.

The issue of the *distance* between New Zealand and the Baltic States was brought up by seven respondents (19 per cent). In all of those comments, the ‘far away’ theme was described as a stumbling block on the way to a more enhanced cooperation. However, in most of the cases, the general connotation of distance was not entirely based on the pessimistic view – the survey participants simply decided to mention the undeniable fact. For example, a respondent claimed that to the Latvian people “New Zealand is far and exotic country” (student). A Lithuanian elite representative noted that “the economical and political communication [...] is skidding” because of “a big distance” between the two regions. The next commenter expressed his concern that “[i]t would be difficult to participate in projects because New Zealand is so far” (student, Lithuania). The question of “rational considering the distances” was underlined by an Estonian student with another one stating that New Zealand is “rather far away”. A respondent from the elite group, after describing the physical distance between New Zealand and the Baltics as “a handicap”, immediately noted that “the ease and proliferation of modern communication” could help in overcoming such a problem (Latvia). A similar commentary was received from an Estonian respondent who argued that “the distance is a problem, but in nowadays it is not that substantial any more” (elite).

The answers collected under this particular segment of the survey outlined the *openness and the liberalist nature* of the Baltics. Nine respondents (25 per cent) opted to elaborate on the subject, giving short introductions of their countries and characterising the Baltic States as open and liberal. A participant from the elite group noted that Estonians “have no presumptions and are open to any interesting



idea”. From the Lithuanian side, a student indicated that his country and the other Baltics “are searching for international partners in wide range of different areas”. The other two respondents argued that “[Estonia’s] trade policy in general has been very open to the rest of the world” (elite) and “we are looking long way for establishing good relations with new partners” (elite, Estonia). The latter statements were in agreement with the following opinions, which came from the studentship: “Estonian economic scene is very open” and “[w]e are definitely open to all new interesting contacts in the field of politics as well as in economic affairs” (Estonia). The answer collected from the Latvian sub-group was featured by comments on Latvia’s “economic liberalism position” and the importance “to trade [...] to have more different goods in the market” (student). The Latvian state was also described as “a good place to start business not just in the Baltics but in the broader territory” (elite). Lastly for this segment, an Estonian elite representative placed his answer directly in the context of the New Zealand-Estonia relations noting that “preparations are under way for deepening our contacts”.

<i>Summary of Patterns</i>
New Zealand is known in the Baltics
Similarity of fundamental values that the Baltics and New Zealand share
Comparable sizes of the Baltic States and New Zealand
The ‘distance’ theme
The Baltics States are open and liberal countries

## **2.4. Mini-conclusion**

Evidently, the discussion on the need for New Zealand to make a proper introduction of itself in the Baltics is becoming more rhetorical with the time. As a potential partner, New Zealand is likely to have a fair chance to be welcomed by the

local elites and the public in the region that covers Estonia, Latvia and Lithuania. As argued, the theoretical angle of the process could be successfully framed by the revival of the classic functionalist tendencies – the global economic downturn made it easier for the like-minded countries of comparable sizes to better visualise each other’s capabilities. Indeed, in the challenging time of the economic recession, the search for common needs is presumably better executed by the partners with common values, be it on the global or local stages. At the same time, the structural side of the paradigm is featuring a noticeable degree of sporadic (sometimes even chaotic) activity. The already established and internationally recognised frameworks that should have supposedly led to a significant increase in trading activity between New Zealand and the Baltics are yet to be realised in full – partially, due to the recessional economic factors, distance and the ambiguity of the EU’s political form (where to go? who to talk to?). However, with one of the Baltics being already a member of the OECD group, the profile of the liberal and transparent Baltic trio is likely to appear as more visible and pronounced among the politicum as well as the business circles in New Zealand. Advantageously, according to the aforementioned results of the small survey, New Zealand is already not a *terra incognita* for the majority of respondents from the Baltics States.

### 3. A New Zealand ‘hub’ in the Baltics: A Prospect to Make a Choice

The aforementioned opening of the New Zealand Embassy in the Polish capital in April 2005 was a logical response to the government’s already sounded desire “to get to know colleagues in Central Europe a lot better”.<sup>149</sup> Following the combined **objective** logic of regional proximity, cost effectiveness and geo-political indicators, the decision was made to get Estonia, Latvia and Lithuania included in the diplomatic region covered by the Embassy in Warsaw. Such a move had presumably some **subjective** reasons as well. In August 1999, Simon Upton, New Zealand Associate Minister of Foreign Affairs and Trade, visited Estonia.<sup>150</sup> A number of important visits to the Baltics made by high-level New Zealand officials in 2004 evidently helped to receive positive impressions of the Baltic trio, too. Pallum highly credited David Bruce Payton, New Zealand former Ambassador to the Baltics (2002-2005), for playing a leading role in organising those visits. According to Pallum, Ambassador Payton, while being based in The Hague, “managed to visit Estonia several times [...] and convinced his country’s politicians to come [...to Estonia] and see themselves how this country looks like”.<sup>151</sup> In September 2004, Phil Goff became New Zealand’s first Minister of Foreign Affairs and Trade to visit the three Baltic States.<sup>152</sup>

Can the Embassy in Warsaw, apart from looking after Poland-New Zealand matters, be used as the established and the potentially productive ‘gateway’ to the Baltic States as well? Some of the influential representatives of the New Zealand politicum

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<sup>149</sup> Clark, ‘Europa Lecture’.

<sup>150</sup> ‘Estonia – country information’ in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://mfat.govt.nz/Countries/Europe/Estonia.php>>.

<sup>151</sup> Pallum, interview.

<sup>152</sup> ‘Goff to Visit Europe, United Nations’ in *The Official web portal of the New Zealand Government*. Available from <<http://www.beehive.govt.nz/node/20828>>.

– for example, the current Minister of Defence Wayne Mapp – strongly argue that Poland is already New Zealand’s ‘gateway’ to the region and the Baltics “can be serviced through on Embassy in Poland”.<sup>153</sup> A view from the Baltic side is different, stressing on the argument that the other nations’ embassies, which cover, for example, Estonia but operate either from Poland or Finland, usually focus on the country of the embassy’s location.<sup>154</sup>

The Embassy in Warsaw has got accustomed to its vital role of being New Zealand’s only high-level diplomatic representation in the Baltics-Poland broad region. Back in October 2005, New Zealand Ambassador Philip Griffiths underscored that one of his country’s priorities is to maintain “an open dialogue with the EU and its Member States”.<sup>155</sup> The October 2007 appointment of the country’s new Ambassador in Warsaw, Dr. Penelope Ridings, was a clear gesture in a direction to reinforce New Zealand’s activities in the area. Commenting on Dr. Ridings’ appointment, Minister Peters described Poland as “an important contact [...] on European Union matters”.<sup>156</sup> He also characterised Estonia, Latvia and Lithuania as “small, forward-thinking countries with important connections in Europe”.<sup>157</sup>

However, it is suggested that in the nearest future, the Polish state in itself – its landmass is larger than of Italy’s and more than ten times larger than of Belgium’s – will be predominantly capturing the Embassy’s attention and currently available small resources. As a result, it can significantly diminish New Zealand’s ‘presence’ in the Baltic States.

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<sup>153</sup> Wayne Mapp, interview with author, 23 January 2008.

<sup>154</sup> Siim Raie, interview with author, 1 August 2007.

<sup>155</sup> ‘The President of the Republic met with the Ambassador of New Zealand’, 20 October 2005 in *The official web portal of the President of the Republic of Estonia*. Available from [http://www.president.ee/en/duties/press\\_releases.php?gid=69047&mida=New%20Zealand](http://www.president.ee/en/duties/press_releases.php?gid=69047&mida=New%20Zealand).

<sup>156</sup> ‘Peters names new Ambassador to Poland, Baltics’, 8 October 2007, *The Official web portal of the New Zealand Government*. Available from <http://www.beehive.govt.nz/ViewDocument.aspx?DocumentID=30905>.

<sup>157</sup> ‘Peters names new Ambassador to Poland, Baltics’.

In New Zealand and Australian media, Poland “featured frequently in the economic news ... [and] was also regarded as the political ‘face’ of the [EU’s] fifth enlargement”.<sup>158</sup> Poland is an attractive place to invest – from January to November 2009, the value of FDI to the country was recorded as EURO 7.66 billion.<sup>159</sup> Poland, the European leader in outsourcing,<sup>160</sup> has also been enjoying an important strategic status in the continental and global security framework; its burgeoning relationship with New Zealand as well as its key status in the EU’s decision making process – all these factors have already proven that New Zealand made a right choice locating the country’s first Central-Eastern European Embassy in Warsaw. Moreover, this research work has no intention to undermine or question this existing status of the diplomatic representation in the Polish capital. The crucial point to be made here is that the promising momentum to enhance relationships with Estonia, Latvia and Lithuania (either together or separately) could quickly lose its pace if New Zealand is to be preoccupied with Poland-related issues. As discussed previously, New Zealand Statistics data for 2008-2009 showed that the country’s export to Poland was on the par with the figures related to the Baltic States summarised all together.<sup>161</sup>

In order to avoid a real possibility for New Zealand to eventually lose the Baltic States from the radar of the country’s proactive foreign policy in the EU-27, this paper intends to initiate a debate on the need for the country to establish its ‘hub’ in the Baltics. Ideally, according to John Larkindale (the former New Zealand Ambassador in the Baltics – 1996-2000, based in Moscow – expressed his personal

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<sup>158</sup> Natalia Chaban et al., ‘Mirror reflections? The EU in print and broadcast media in the Asia-Pacific (pp. 22-61), p. 43, in *The European Union and the Asia-Pacific: media, public and elite perceptions of the EU*, ed. N. Chaban and M. Holland (Abingdon: Routledge, 2008), p. 43.

<sup>159</sup> ‘Foreign direct investments in Poland’ in *Polish Information and Foreign Investment Agency*. Available from <[http://www.paiz.gov.pl/poland\\_in\\_figures/foreign\\_direct\\_investment](http://www.paiz.gov.pl/poland_in_figures/foreign_direct_investment)>.

<sup>160</sup> ‘Poland a European leader in outsourcing’ in *Alpha Management Consultants official web portal*. Available from <[http://www.alphamc.com/news/news\\_poland/news-detail/Poland-a-European-leader-in-outsourcing](http://www.alphamc.com/news/news_poland/news-detail/Poland-a-European-leader-in-outsourcing)>.

<sup>161</sup> *Statistics New Zealand*.

opinion), New Zealand's wider interests in the EU could become a driving force towards engaging "separately with each country"<sup>162</sup> of the enlarged EU.

The country-to-country type of interactions is normally clearer or even stronger than the country-to-union of countries type (the best example of the former is the USA-Poland or the USA-Britain relationship as compared to relationship between the USA and the EU). In reality, however, it is a fairly challenging and costly exercise to be implemented, especially when it comes to establishing an 'on the ground' representation.

Most definitely, the New Zealand's 'on the ground' embassy-type base in the Baltics is outside of the circle of possibilities at present. Thus the concept of a 'hub' – either formal or informal – should productively work as an alternative that could eventuate with bringing some substance into the popular rhetoric about cooperation and partnership in a strategically important region. In 2007, Siim Raie, the then Director General of the Estonian Chamber of Commerce, expressed his vision of the process:

[B]y the way the New Zealand Honorary Consul in Estonia is the President of our Chamber of Commerce; and it can be advantageous in several cases. [...] There is no reason just to have an office that everybody can walk in and say 'Hello!' What the office should then have and do is that it should have some programmes for students, scientists, whoever. This is the way other countries are acting here.<sup>163</sup>

The acknowledgement of one of the Baltic States as a 'gateway' to their area could with necessity simplify the task of coordination of New Zealand's activities in the region via its Embassy in Warsaw. Does this idea have a long-lasting perspective at all? The modern waves of the ever-present regionalism on the European continent

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<sup>162</sup> Larkindale.

<sup>163</sup> Raie.

are suggested to frame this chapter's theoretical concept, which should assist New Zealand readers to get a better understanding of the Baltics' role in the new Europe.

### **3.1. Theoretical dimension: Regionalism in Europe**

As it was noted in the Preamble (p. 7), the modern New Zealand state, before it gets more familiar with the newer actors in Europe, should find it easier to start collaborating with the EU neophytes in the framework of interaction with their regions. Moreover, the EU, arguably accepting and supporting "its internal regionalisation",<sup>164</sup> would indirectly praise New Zealand for its intention to establish its own linkages in a less-known region of the supranational Union. Having legitimised the importance of the distinct "regional layer in the [...] complicated arrangement of [its] governance",<sup>165</sup> the EU established a number of regional programmes like Northern Dimension Programme that, in this case, "is focusing attention upon the uniqueness of Europe's north-eastern region as a whole".<sup>166</sup> In a more simplistic way of saying, the official Brussels has not got much time to 'show New Zealand around', thus one of New Zealand's most distinct qualities – its very own interaction-building creativity – is required and will presumably be appreciated by the EU.

Indeed, it is not difficult for a New Zealand decision maker to identify a regional grouping in the Central-Eastern Europe if one wants to. Some of a group's 'members' or their historical predecessors used to be known for long time as the one (Slovakia and the Czech Republic as Czechoslovakia; Austria and Hungary as Austro-Hungarian empire; Bosnia and Herzegovina, Croatia, Macedonia,

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<sup>164</sup> Vernygora and Chaban, 'New Europe and its neo-regionalism', p. 128.

<sup>165</sup> Vernygora and Chaban, 'New Europe and its neo-regionalism', p. 128.

<sup>166</sup> Urmas Paet, 'Main guidelines of Estonia's foreign policy', Address to the Riigikogu on 6 June 2006, in *Estonian Ministry of Foreign Affairs official web portal*. Available from <[http://www.vm.ee/eng/kat\\_140/7567.html?arhiiv\\_kuup=kuup\\_2006](http://www.vm.ee/eng/kat_140/7567.html?arhiiv_kuup=kuup_2006)>.

Montenegro, Serbia and the newly established Kosovo as Yugoslavia; Poland and Lithuania as Polish-Lithuanian Commonwealth). The others share plenty of common history as neighbours (Albania and Macedonia, or Bulgaria and Romania, or Poland, Ukraine and Belarus).

### 3.1.1. The Baltic bit in the Europe of regions

As for Estonia, Latvia and Lithuania, this group arguably represents a mixture of, firstly, a **neighbourhood of uniquely different countries**, and, secondly, **the geopolitical one**. The former perception is less pronounced even to date. It is usually voiced and reinforced by the leaders of the trio that “the three sister nations on the east coast of the Baltic Sea [...] have their own special needs and special interests”.<sup>167</sup> The latter perception is more sounding and goes way back to the post-World War I period when, for example, the British Foreign Office saw the then newly independent Baltic States as a whole, despite some obvious socio-political differences between them.<sup>168</sup> This view was however a huge step ahead in distinguishing the Baltics from the other lot of different ‘want-to-be’ independent states established on the territory of the former Russian tsarist empire before or shortly after the end of the World War I (the ill-fated Ukrainian People’s Republic was one of such polities).

Another angle of the broad Western view on the independent Baltics, according to Ben Fowkes, was based on the conclusion that Estonia along with the other two Baltic States as well as Georgia and Armenia were the only nationhoods that could be treated as “sufficiently developed” before they were incorporated into the former

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<sup>167</sup> Vaira Viķe-Freiberga, ‘Speech delivered at the 7<sup>th</sup> Baltic conference on intellectual co-operation’, Riga, 17-18 September 1999, in *The Science of Latvia web portal*. Available from [http://science.iza.lv/policy\\_docs2.htm](http://science.iza.lv/policy_docs2.htm).

<sup>168</sup> Hinkkanen-Lievonen, p. 107.



USSR.<sup>169</sup> Predictably, the official Soviet vision of the situation was diametrically different – the post-World War I independent Baltic States were seen by the Soviet Union as “nominally independent, but [...] under the political and economic influence of Britain from 1919”.<sup>170</sup>

Taking into account New Zealand’s cautious attitude in recognising new countries (a definite legacy of the British approach in foreign affairs), official Wellington, for example, formally recognised Estonia for the first time three years after it became independent, on 22 September 1921. By that moment in history, Estonia as well as Latvia and Lithuania were already members of the League of Nations.<sup>171</sup>

The forceful incorporation of the Baltic States in the Soviet communist empire and the following Soviet period in the history of the Baltics did not make each of the three countries more distinguishable even within the USSR, not to mention the rest of the world. The refusal to recognise the Soviet annexation of the Baltics (New Zealand took that approach, too) was however the West’s weak and only answer to Josef Stalin – the Soviet dictator was fully aware that he “could proceed to dispose of Estonia, Latvia and Lithuania however he liked”.<sup>172</sup>

The then Baltic titular republics of the Soviet Union were informally called by a Russian word ‘*Pribaltika*’, a commonly known terminological label that was quasi-unifying Estonia, Latvia and Lithuania into one, on the basis of their geographical proximity to the Baltic Sea. For an outsider, despite each of the three republics’ easily found originalities, it was to some extent hard to allocate a typically

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<sup>169</sup> Fowkes, p. 35.

<sup>170</sup> Alberts Varoslavans, ‘Baltic Alliance and international politics in the first part of the 1920’s’ in *The Baltic in International Relations Between the Two World Wars*, Symposium organized by the Centre for Baltic Studies, ed. by J. Hiden and A. Loit, November 11-13, 1986 (Stockholm: Centre for Baltic Studies, 1988), p. 44.

<sup>171</sup> ‘Estonia and New Zealand’, Bilateral Relations, 27 March 2006 in *Estonian Ministry of Foreign Affairs official web portal*. Available from <[http://www.vm.ee/eng/kat\\_176/4741.html](http://www.vm.ee/eng/kat_176/4741.html)>.

<sup>172</sup> Robert Service, *Russia: experiment with a people* (London: Macmillan, 2002), p. 36.

‘Estonian’ or ‘Latvian’ or ‘Lithuanian’ piece in the uniformed geo-social environment of the vast USSR. For example, a randomly chosen book (located at the Central Library of the University of Canterbury) that was supposed to introduce an international reader (in our case, a New Zealand scholar or university student) to Latvia’s contemporary art had only 8 out of total 84 reproductions, which may not be considered as Soviet-style propaganda.<sup>173</sup> At the same time, in the book, there were 7 reproductions directly related to Vladimir Ulyanov (Lenin);<sup>174</sup> such ‘art works’ were ideologically reflecting to the title of the book: ‘The Soviet Latvia in the Brotherly Family’.

Characteristically for Estonians, Latvians and Lithuanians, regardless of their places of residence in the former USSR, they showed significant resilience towards Russification. For example, in the 1989 census, 95.5 per cent of ethnic Estonians in the Soviet Union and 98.9 per cent of those residing in the Estonian Soviet Socialist Republic considered Estonian as their first language.<sup>175</sup>

Even though the three Baltic republics had been experiencing a relative ‘linguistic liberalism’ if only compared to the Kremlin’s ruthless attitude towards Belarusian and Ukrainian languages, the obvious ‘European’ flavour of the Soviet Baltics was not promoted internationally by the Soviet Union. Only in 1964, the Finnish president Urho Kaleva Kekkonen, a politician who managed to be treated with equal respect by both democratic world and the USSR, was the first head of a Western state to be allowed by the Soviet regime to visit the Baltics (he visited the Estonian capital Tallinn).<sup>176</sup>

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<sup>173</sup> Inara Nefedova, *Padomju Latvia bralu saime: gleznieciba, gafika, telnieciba* (Riga: Liesma, 1972).

<sup>174</sup> Nefedova. Interestingly enough, Vladimir Lenin visited Latvia (Riga) only once – in 1901, to have discussions with local Social Democrats. See: von Rauch, p. 12.

<sup>175</sup> *Library of Congress Country Studies Online* <[http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field\(DOCID+su0100\)](http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+su0100))>.

<sup>176</sup> *Taetaja*, 7 March 1964 as quoted in Misiunas and Taagepera, p. 181.

As for New Zealand, in 1960, Walter Nash was the country's first Prime Minister to visit the USSR; however his trip to the Soviet Union included visits to the Russian Federation and Ukraine only.<sup>177</sup> In this context, the memoirs of Jim Weir who was allowed to briefly visit Estonia in April 1979 could be treated as unique. While in Tallinn, the Ambassador noted "a labyrinth of narrow, cobbled streets, [...] the old city, built on a hill, overlooking the new; and [...] the spires of the churches, the Gothic style, the Europeanness of it all".<sup>178</sup> Crossing the boundary between Estonia and the Russian Federation, Ambassador Weir recalled a much stronger impression:

When we came to the Narva River, [...] it marked the boundary between the Estonian and the Russian Republics. There was scarcely any need to tell us, so marked was the change to unkempt, dispirited-looking villages [...] – a remarkable contrast considering that Estonia has been under Russian rule since 1710, with a break from only 1918 to 1940.<sup>179</sup>

A feature of the time, a range of typical Soviet-style complications (bans, authorisations, proposed journey approvals, the open-closed cities policies) prevented Ambassador Weir from visiting Riga and Vilnius by car, as "no foreigners [were] allowed on the road between Tallinn and Leningrad".<sup>180</sup> Thus both Latvian and Lithuanian capitals had to be excluded from the Ambassador's list of places to visit at that particular time.

The above brief overview shows that New Zealand's interest towards the Baltics, from the period of their recognition and placing Estonia, Latvia and Lithuania into geo-political clusters of Europe and right until the trio's last decade spent under the Soviet umbrella, was not very consistent, neither New Zealand's nor the Baltics' lapse – and can be described as patchy. Intuitively, New Zealand was always on its

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<sup>177</sup> 'Nash Leaves Kiev for Leningrad' in *The Press*, Christchurch, 23 April 1960, p. 13

<sup>178</sup> Weir, p. 264.

<sup>179</sup> Weir, p. 266.

<sup>180</sup> Weir, p. 260.

way to identify the significant potential of cooperation with the Baltics, but a number of intractable hurdles, be it ideological, politico-economical and geographical, delayed the process and prevented the two sides from making any harmonious steps towards each other.

### **3.1.2. Aspirations to lead the region**

Both the fall of the Iron Curtain and the appearance of the EU have immensely helped countries like New Zealand to gradually learn about the new Europe and make attempts to effectively establish more European vectors. The regionalised nature of the EU have been playing an advantageous role in this process – by making a contact with one perspective partner among the newer Members of the EU, New Zealand has been getting a chance to discover a much broader region as well. Furthermore, the somewhat cumbersome process that however successfully eventuated with the ratification of the Lisbon Treaty by the EU's all Member States, was an additional proof that the European regionalism is very much alive and will be formatting “local demand on global trends”.<sup>181</sup>

From the other side, as argued by Vernygora and Chaban, the EU's neophytes have demonstrated aspirations to lead their sub-regions<sup>182</sup> and assist potential partners with information and practical help. For example, Bērziņš noted his Latvia's willingness “to provide [New Zealand decision makers] with all kind of expertise”<sup>183</sup> about developments taking place in his country's broader region. Such an offer is highly advantageous for New Zealand, especially in the light of its declared “intention to negotiate a Free Trade Agreement with Russia”.<sup>184</sup> But in case

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<sup>181</sup> Vitaliy Bilan, ‘Польська капітуляція як символ денационалізації Євросоюзу’ in *Dzerkalo Tyzhnya*, 43, 17 – 23 October 2009. Available from <<http://www.dt.ua/1000/1600/67459/>> .

<sup>182</sup> Vernygora and Chaban, ‘New Europe and its neo-regionalism’.

<sup>183</sup> Bērziņš.

<sup>184</sup> Key.

of Latvia and the other two of the Baltics, the broader region means not only the Russian Federation, the trio's immediate as well as strategically important neighbour. Azerbaijan (the oil- and gas-rich Caspian nation), Belarus (the largest inland country in Europe), Georgia, Kazakhstan, Moldova and Ukraine are in the broader region', too. Almost all of these countries are still viewed by New Zealand through its Embassy in Russia, for some reason keeping the Soviet legacy of 'all roads lead to Moscow' alive. Bērziņš pointed on the fact that an entity like his Latvia "understand[s] these countries much better because before [Latvia, Lithuania and Estonia] were to escape the Soviet Union and join the European Union, [they] were all together".<sup>185</sup> During the challenging time of the global economic crises, such propositions formulated by the Baltic States with intentions to be heard could increase New Zealand chances to yield the result of its Baltic endeavours.

Estonia, Latvia and Lithuania are no strangers among the lot of smaller countries, which feel the need to re-introduce themselves to the larger partners from time to time. Having been trying to adopt the role of a "pacifying and stabilising element"<sup>186</sup> in the Central-Eastern Europe, the Baltics have however experienced the whole palette of different approaches applied onto them by the world's powers. **On the one side**, some of the more powerful countries had been condescendingly regarding the Baltics as a variation of the "*cordon sanitaire* to the flung around Soviet Russia"<sup>187</sup> (Great Britain), treating the trio as "an easier target"<sup>188</sup> in the sphere of its immediate geo-political interests (Russia) or even envisaging the three countries as a single territory within a totalitarian state<sup>189</sup> (the Nazi Germany). **On the other side** and contrary to the latter views, some of the world's powers have always been

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<sup>185</sup> Bērziņš.

<sup>186</sup> Edgar Anderson, 'The Baltic Entente 1914-1940 – its strength and weakness' in *The Baltic in International Relations Between the Two World Wars*, Symposium organized by the Centre for Baltic Studies, ed. by J. Hiden and A. Loit, November 11-13, 1986 (Stockholm: Centre for Baltic Studies, 1988), p.79.

<sup>187</sup> Hinkkanen-Lievonen, p. 87.

<sup>188</sup> David Marples, *Motherland: Russia in the twentieth century* (Pearson Education Limited, 2002), p. 146.

<sup>189</sup> von Rauch, p. 229.

attracted by “the Baltic markets and products”,<sup>190</sup> heavily investing into local financial institutions and businesses. For example, in 1920s, a sizable Estonian bank (the Tartu Bank) became a brunch of British Overseas Bank<sup>191</sup>. Another example comes from Latvia, where foreign capital used to form 50 per cent of the country’s stock capital in 1925, beating this record year later with 52.7 per cent.<sup>192</sup> The same very period of 1920s was marked in the Baltics by “the modernization of agriculture [...] as well as specialization in high quality dairy and meat products”.<sup>193</sup> This kind of development led to the Baltic States becoming capable to corner “a share of these markets in the face of competition from established suppliers, such as Denmark, Canada and New Zealand”.<sup>194</sup>

During the non-transparent time of the Soviet domination over the Baltics and remembering about the pre-World War II independent Estonia, Latvia and Lithuania, some of the Western powers naïvely suggested that the Soviet Union could “accord the Baltic republics the same kind of status as that enjoyed by the three Benelux countries”.<sup>195</sup> This never happened.

The collapse of the Soviet Union in 1991 changed the situation in the most dramatic way, and the 2004 enlargement of the EU brought the Baltics back to Europe. In May 2006, the Baltic States made headlines in New Zealand media and around the world when Lithuania (jointly with Poland) hosted the intergovernmental conference ‘Common Vision for Common Neighbourhood’ that became known as the 2006 Vilnius Conference. Stressing on the need to welcome “the initiatives to expand cooperation across Europe [and] promoting European and transatlantic

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<sup>190</sup> Hinkkanen-Lievonen, p. 140.

<sup>191</sup> Hinkkanen-Lievonen, p. 264.

<sup>192</sup> Hinkkanen-Lievonen, p. 265.

<sup>193</sup> Hiden and Salmon, pp. 84-85.

<sup>194</sup> Hiden and Salmon, pp. 84-85.

<sup>195</sup> von Rauch, p. 241.

integration”,<sup>196</sup> the forum also heard the US Vice-President Richard Cheney calling the Baltic region as “the very front lines of freedom in the modern world”.<sup>197</sup> Reporting about the forum, *The New Zealand Herald* quoted Cheney’s statement specifically directed to Russia that it has “nothing to fear and everything to gain from strong stable democracies on its borders”.<sup>198</sup>

A year later, in October 2007, the same hosts managed to organise another international forum – the ‘Vilnius Energy Security Conference’ – that was dedicated to the red hot topic of formulating “the global and European energy landscape”.<sup>199</sup> Once again, the advantageous strategic location of the Baltic States associated with their clear position on the issues of global importance brought plenty of world’s attention to Estonia, Latvia and Lithuania.

Arguably, the issue of knowledge that the Baltics possess in relations to their broader region is not to be treated in the theoretical framework only. The Baltic States’ active participation in such organisations as the *Baltic Assembly* (BA), the *Nordic Council* and the *Community of Democratic Choice* (CDC) brings a solid practical dimension into the process and opportunities to permanently get the up-to-dated information on regional matters. The latter two regional organisations are different in size, levels of operational capacity and regulatory environment, but the Baltics’ involvement in both establishments significantly diversifies their foreign policy directions and strengthens their profiles internationally. For example, the BA, a parliamentary organisation established in November 1991 in the Estonian capital, is a consultative body that uses “trilateral cooperation as a force multiplier in

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<sup>196</sup> ‘Joint Communiqué’, accepted on 4 May 2006, Vilnius, in *The Vilnius Conference’06 Official web page* <<http://www.vilniusconference2006.lt/sen/news.full/54?prn=1>>. Also see Vernygora and Chaban, ‘New Europe and its neo-regionalism’.

<sup>197</sup> Richard Cheney, ‘Remarks at the 2006 Vilnius Conference’, 4 May 2006.

<sup>198</sup> ‘Cheney rebukes Russia on democracy’ in *The New Zealand Herald*, 5 May 2006. Available from <[http://www.nzherald.co.nz/world/news/print.cfm?c\\_id=2&objectid=10380368&pnum=0](http://www.nzherald.co.nz/world/news/print.cfm?c_id=2&objectid=10380368&pnum=0)>.

<sup>199</sup> *Vilnius Energy Security Conference 2007*. Available from <<http://www.vilniusconference2007.lt/en/apie>>.

international affairs”.<sup>200</sup> It played an important role for the Baltic States in the challenging process of joining the EU and NATO. From the regional point of view, the organisation was heavily involved in designing and developing the area of common “economic, educational and informational technology space”<sup>201</sup> among the Baltics. The other aforementioned international regional body, the CDC, brings together only nine members as different as Estonia, Georgia, Latvia, Lithuania, FYR Macedonia, Moldova, Romania, Slovenia and Ukraine, but it covers the massive area populated by around 89 million people.<sup>202</sup> Planned to be a forum for young and ambitious Central-Eastern European democracies, this organisation (established in December 2005 in Kyiv) is suggested to play an instrumental role in “gathering the Baltic-Black-Caspian Seas countries under one economic umbrella”.<sup>203</sup> The Baltic States’ participation in the CDC is far from being declarative. For example, Ukraine, Moldova and Georgia are Estonia’s main development cooperation partners, to which the Baltic country has been devoting millions of kroons/euros in development aid annually.<sup>204</sup> With Estonia’s active support of the further enlargement of the EU, the country’s initiative of establishing in Tallinn an Eastern Partnership training centre<sup>205</sup> could be considered as a step made by a regional leader with a vision on enhancing the process of European integration.

Arguably, the importance of the practical knowledge that has been offered by the Baltic States to their existing and potential partners (including New Zealand) is not difficult to appreciate as it could bring some visible results almost immediately. Murray McCully, the New Zealand’s current Foreign Minister, framed his vision on cooperation with the new EU stating that “the EU is also of great interest to New Zealand for various tangible reasons: for most purposes, it’s the world’s largest

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<sup>200</sup> *Baltic Assembly*. Available from <<http://www.baltasam.org/?CatID=26>>.

<sup>201</sup> *Baltic Assembly*.

<sup>202</sup> Vernygora and Chaban, ‘New Europe and its neo-regionalism’, p. 131.

<sup>203</sup> Vernygora and Chaban, ‘New Europe and its neo-regionalism’, p. 135.

<sup>204</sup> Paet, ‘Main Guidelines of Estonia’s Foreign Policy’.

<sup>205</sup> Urmas Paet, ‘2010 – the year of great expectations’ in *2010 Estonian Ministry of Foreign Affairs Yearbook*, p. 11.



single economy”.<sup>206</sup> The word ‘tangible’ becomes extremely important in the time of economic recession.

The traditional European regionalism and some of its newer vectors in the Central-Eastern Europe could be conceptually applied to our case through the prism of the globalised interactions, too. For example, Haas pointed on the “coexistence of global and regional multilateral institutions and practices”<sup>207</sup> in the post-1990s world. Elaborating on the issue, Newhouse argued that the European contemporary regionalism (the EU is arguably a major part of this process) is developing simultaneously with the continent’s involvement in globalisation.<sup>208</sup>

During the first years since regaining independence, the Baltic States had been busy restructuring their macroeconomic frameworks while sometimes losing their focus on the level of industrial competitiveness, especially with the neighbouring Nordic countries.<sup>209</sup> In this very period, the Baltics together with the other Central-Eastern European countries also became excessively dependent of “foreign-financed growth”.<sup>210</sup> However, the macroeconomic changes combined with the revolutionary policy in taxation (the best example of which is the flat tax policy in Estonia) quickly led to some remarkable results. In 2007, the year of remarkable GDP growth in the country, the Estonian Ministry of Foreign Affairs noted a meaningful trend – Estonia started investing abroad. Pallum commented:

With more than 1000 companies, Estonia is the largest source of foreign direct investment in neighbouring Latvia. In addition, [...] Estonian capital is settling more and more in Russia, Lithuania and Finland, but also in countries distant to us

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<sup>206</sup> McCully, ‘Europa Lecture’.

<sup>207</sup> Haas, p. 446.

<sup>208</sup> John Newhouse, ‘Europe’s Rising Regionalism’ in *Foreign Affairs*, January-February 1997. Available from <<http://www.foreignaffairs.org/19970101faessay3740/john-newhouse/europe-s-rising-regionalism.html>>.

<sup>209</sup> ‘Industrial Restructuring in Eastern Europe’ in *Institute of Baltic Studies*. Available from <<http://www.ibs.ee/content/view/24/30/>>.

<sup>210</sup> Marek Tiits et al., ‘Catching up, forging ahead or falling behind? Central and Eastern European development in 1990-2005’ in *Innovation: The European Journal of Social Science Research*, Vol. 21, issue 1, March 2008, p. 82.

geographically like Ukraine, Georgia, Bulgaria, Romania, the Western Balkans and even Morocco.<sup>211</sup>

In figures, Estonia's direct investment position by countries is shown in *Table 5*. Notably, the country's investments abroad rose by 47.33 per cent in 2007 if compared to the 2006 data.

Table 5: Estonia's Direct Investment Position by Countries (Million EURO)

Country	DI, 2006	DI, per cent of total, 2006	DI, 2007	DI, per cent of total, 2007
Latvia	953.10	34.5	1,367.90	33.6
Lithuania	886.78	32.1	1,218.97	30.0
Russia	243.96	8.8	336.58	8.3
Cyprus	232.70	8.4	320.48	7.9
Finland	131.13	4.7	163.72	4.0
Ukraine	65.26	2.4	106.16	2.6
Belarus	51.55	1.9	62.03	1.5
Spain	31.66	1.1	47.29	1.2
Italy	30.02	1.1	104.28	2.6
Bulgaria	22.22	0.8	37.96	0.9
Others	114.08	4.2	304.59	7.4
Total	2,762.46	100	4,069.96	100

From the first look, the openness of the modern global economy makes it harder for a small country to keep its presumably unique image. To make the situation even more complicated, the classic notion of sovereignty – being understood as “supreme authority within a territory”<sup>212</sup> – is gradually becoming associated with the past. However, not only the mighty stance of globalisation and its overwhelming strategic power are actually based on the in-depth knowledge of particular countries and

<sup>211</sup> Priit Pallum, '2007: Two Events and Two Trends' in *2007 Estonian Ministry of Foreign Affairs Yearbook*, pp. 59-60.

<sup>212</sup> *Stanford Encyclopedia of Philosophy*. Available from <<http://www.science.uva.nl/~seop/entries/sovereignty/>>.

regions, but also those countries and regions respond defensively to globalisation, trying to “protect and preserve the established social and political order”.<sup>213</sup> The “diversity of nationally-embedded knowledge systems”<sup>214</sup> is yet another fact that crucially adds some weight to the argument that the globalised economy and its further successful development very much depend on “specific territorial characteristics”.<sup>215</sup> Back in 2001, the *News Corporation* launched a 24-hour Mandarin-language cable TV channel in China – the emphasis of the deal was underscored by the company’s representative: “We won’t do programs that are offensive in China”.<sup>216</sup> One of the other working examples when a multi-national corporation is taking extra care of regional tendencies in the global business can be found at Fonterra, too. The New Zealand’s largest enterprise owned by 13,000 farmers, *Fonterra* pays special attention to the Asia-Middle East vast region – its leadership team includes a Managing Director-Asia-Middle East who works along with Managing Director-Global Trade.<sup>217</sup>

Arguably, given the significance of the two simultaneous developments (regionalism and globalisation) that have special relevance to Europe,<sup>218</sup> the importance of the regions can hardly be underestimated in the field of international relations. Therefore, this chapter’s theoretical dimension has been represented by the phenomenon of **regionalism** in Europe and its modern variations, which have relevance to the Baltic States. The key point for New Zealand discovering the Baltics – the country may very well know how to successfully interact with its long-term partners in the EU-15, but such an auxiliary knowledge needs to be framed by

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<sup>213</sup> Michalski and Cheyne, p. 5.

<sup>214</sup> ‘The Transformation and Sustainability of European Political Order’ in *ARENA official web portal*. Available from <<http://www.sv.uio.no/arena/forskning/prosjekter/eurotrans/index.html>>.

<sup>215</sup> Michael Keating, ‘Is There a Regional Level of Government in Europe’ in *Regions in Europe*, ed. by P. Le Galès and C. Lequesne (London; New York: Routledge, 1998), p. 16.

<sup>216</sup> ‘Murdoch Wins China Cable TV Deal’, 20 December 2001, in *BBS official web portal*. Available from <<http://news.bbc.co.uk/2/hi/entertainment/1721160.stm>>.

<sup>217</sup> *Fonterra official web portal*. Available from <<http://www.fonterra.com/wps/wcm/connect/fonterracom/fonterra.com/Our+Business/>>.

<sup>218</sup> Newhouse.

the regional characteristics and vectors of the Baltic area. Alternatively, New Zealand may choose to give up on engaging with Estonia, Latvia and Lithuania to keep concentrating on the better known areas of the EU. In this case, it may gain tactically but lose strategically, and its knowledge of the enlarged EU will remain limited.

### 3.2. The ‘been there, done that’ theme

It is not for the first time New Zealand could be choosing a hub-like country to pursue its interests in a region. Since its accession to the EU in 1973, the UK has been serving as New Zealand’s main ‘gateway’ to Europe. Having been able to gather nations as different as Brunei, Chile and Singapore under the ‘umbrella’ of the Trans-Pacific Strategic Economic Partnership,<sup>219</sup> New Zealand virtually established several new ‘hubs’ – this time in Asia and the South America. From there, not only did New Zealand receive free access to the three important markets, but also the country could quickly and successfully discover the wider regions around those particular areas. Partially as a result of such activity, New Zealand already concluded the Free-Trade Agreements with China and Malaysia and is currently eyeing to have free access to Vietnamese, Peruan and other markets.

Due to a number of factors, free trade with the EU seems like a matter of distant future. Nevertheless, New Zealand is arguably capable to possess its **structural readiness** to form more ‘gateways’ on the European continent. Having established the ‘on the ground’ representation in Poland and Sweden, New Zealand entered the Nordic and Baltic regions and even generated some informative findings. For example, NZ MFAT already noted that Estonia’s “strong economy, EU membership and close ties with its Scandinavian and Baltic neighbours make it of increasing

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<sup>219</sup> ‘Trans-Pacific Strategic Economic Partnership’ in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/main-agreement.pdf>>.

relevance to New Zealand”.<sup>220</sup> The Lithuania’s role as “an entrepot for Russia”<sup>221</sup> has been monitored by the NZ MFAT, too. Presumably, New Zealand diplomats define ‘entrepot’ as a political phenomenon rather than geographical – Lithuania is neighbouring the westernmost Russian enclave only but has no borders with the mainland Russia on the east. With Latvia, New Zealand “is seeking to strengthen bilateral ties”.<sup>222</sup> But it is still unclear at the moment whether or not the factors of ‘increasing relevance’, ‘closeness to Russia’, ‘pronounced desire to strengthen ties’ or simple curiosity will lead towards establishing a more visible presence of New Zealand in the Baltic States. A plain assumption that New Zealand will have no hurdles on its way to reach the Baltics via one country from the trio requires a serious back-up. Moreover, in 1992, Ambassador McGhie found “little knowledge of New Zealand”<sup>223</sup> in the Baltics while presenting his credentials as New Zealand Ambassador in Estonia, Latvia and Lithuania. Furthermore, a research paper conducted in the relatively unexplored field of New Zealand interactions with a post-Soviet counterpart (Ukraine) showed a set of obstacles to overcome before bringing the two parties closer. Different foreign policy priorities, sporadic encounters, confused mutual perceptions and missed chances in communications were argued as major barriers on the way of enhancing cooperation between New Zealand and its potentially large-scale partner in the post-Soviet territory.<sup>224</sup>

Despite the Baltic States are no Ukraine (by total area, demographics, current political regimes, freedom/corruption indicators and levels of involvement in both European and global integration), it does not necessarily make their positive structural characteristics more visible thus potentially more attractive for New

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<sup>220</sup> ‘Bilateral relationship with Estonia’ in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/Countries/Europe/Estonia.php>>.

<sup>221</sup> ‘Bilateral relationship with Lithuania’ in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/Countries/Europe/Lithuania.php>>

<sup>222</sup> ‘Bilateral relationship with Latvia’ *New Zealand Ministry of Foreign Affairs and Trade official web portal*, Available from <<http://www.mfat.govt.nz/Countries/Europe/Latvia.php>>.

<sup>223</sup> McGhie.

<sup>224</sup> Natalia Chaban and Vlad Vernygora, ‘Ukraine-New Zealand Relations: Promise of a Date’ in *Australian Slavonic and East European Studies Journal*, volume 20, Nos 1-2, pp. 67-99.

Zealand and vice versa. Extrapolating the already studied pattern on similar interrelations, it is suggested that the obvious lack of mutual introduction (like in the case with Ukraine)<sup>225</sup> is actively playing its role in the process of activating relationships between New Zealand and the Baltics, too. However, every situation has differences and therefore there is always a chance to find some unique paradigms in the interaction-building process.

Walking in the ‘fog’ of newly-born paradigms does not however mean walking in the complete ‘darkness’ of non-existing relationships between subjects. In our case, such relationships do exist, and it gives an opportunity to follow the dynamics of interactions, indicate their potential and make some algorithmically framed conclusions about the future of interactions. In this respect, the ‘what if’ or ‘if only’ types of questions can play an unproductive and misleading role, pushing this research work to the brink of becoming a hypothetical guessing opus. On the contrary, the already identified structural frameworks, distinguishable preconditions or lack of such preconditions will be influencing the dynamics of cooperation, shaping its degree of compatibility.

### **3.2.1. How much of the Baltics is seen from the Warsaw Embassy?**

Evidently, the Baltics’ regional links with Poland (except the Poland-Lithuania traditional historical closeness) are not that strong as one may perceive. As a founding member of the *Visegrad Four*, Poland has traditionally strong links with the other members of the grouping, namely the Czech Republic, Slovakia and Hungary. Also, the level of the Polish-Ukrainian regional cooperation, especially in the context of co-hosting the UEFA Euro-2012 Championship, is comprehensive enough, too. Furthermore, with Estonia being ethnically and economically close to Finland and historically and economically to Denmark and Sweden, and Latvia

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<sup>225</sup> Chaban and Vernygora, p. 99.

having historical and economical ties with Germany, the probability for New Zealand to miss some valuable opportunities in the Baltic States is increasingly gaining some empirical weight.

Marianna Jolla, Business Consultant at Enterprise Estonia, recalled the fact of a meeting held between New Zealand and Estonian business representatives during the 2007 CeBIT exhibition in Germany.<sup>226</sup> The two parties discussed the potential of New Zealand-Estonia relations in business, more specifically in the sphere of informational technology, and expressed their interest and readiness to enhance cooperation, but the meeting never led towards any further discussions, not to mention about signing any formal agreements.<sup>227</sup>

A somewhat different feedback on interaction with the Baltics was received from a company that has already established business relations with an Estonian counterpart. Wende Ward, an executive of Prattley Industries, noted that the Baltics “are interested in New Zealand farming practice and how it can be applied in their own countries”; she also added that New Zealand is perceived in the Baltics as leader “in the field and our equipment has a good reputation”.<sup>228</sup> Ms Ward advised Kiwi manufacturers to export to the Baltics.<sup>229</sup>

### **3.2.2. Eastern Europe as a provider of global services**

Historically, the British Empire knew the Baltic States as “producers of raw materials, notably flax and timber”.<sup>230</sup> Another point of attraction was that the Baltics were regarded as “observation points from which [Britain] could keep an eye

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<sup>226</sup> Marianna Jolla, interview with author, 30 January 2008.

<sup>227</sup> Jolla.

<sup>228</sup> Wende Ward, interview with author, 28 January 2008.

<sup>229</sup> Ward.

<sup>230</sup> Hinkkanen-Lievonen, p. 13.

on Russian events and seize whatever opportunities Russian trade might offer”.<sup>231</sup> At present, the Baltics, together with the post-Cold War Central-Eastern Europe, are widening their profiles and getting a lot of favourable attention in the segment of global services. As an example, neither of the Baltic States was featuring among the top forty countries in the A.T. Kearney Global Services Location Index in 2005; New Zealand then took 34<sup>th</sup> place with India, China, Malaysia, the Philippines and Singapore being top five. But the ranking was significantly adjusted two years later, reflecting to the rapid development of “newer contenders in Central and Eastern Europe”,<sup>232</sup> with Estonia, Latvia and Lithuania holding correspondingly 15<sup>th</sup>, 17<sup>th</sup> and 28<sup>th</sup> places (New Zealand took 44<sup>th</sup> rank). Having Bulgaria (9<sup>th</sup>), Slovakia (12<sup>th</sup>), the Czech Republic (16<sup>th</sup>) and Poland (18<sup>th</sup>) in the top-20, there is a strong set of evidences supporting the attractiveness of the EU’s newcomers. The ‘business environment’ coefficient along shows Estonia on the world’s 10<sup>th</sup> place in 2007, only behind the group of nine highly developed countries – Singapore, Germany, United Kingdom, Australia, Canada, United States, the Republic of Ireland, France and New Zealand.<sup>233</sup>

New Zealand media noted the positive developments in the Baltics with a material published by the country’s most prestigious business weekly, *The National Business Review*. In August 2007, the edition called Estonia “a good place to start if you have a business-driven desire to do some potentially rewarding foundational studies on the post-Cold War Europe”.<sup>234</sup> Estonia’s obvious inclination to the e-economy – paperless sessions of the local government, e-voting system for parliamentary elections, the internet connected to all Estonian schools, the Estonian-Danish free phoning miracle Skype – was highlighted in the article as well.<sup>235</sup>

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<sup>231</sup> Hinkkanen-Lievonen, p. 134.

<sup>232</sup> *Offshoring for long-term advantage*, The 2007 A.T. Kearney Global Services Location Index (A.T. Kearney Inc., 2007). Available from <[http://www.atkearney.com/res/shared/pdf/gsl\\_i\\_2007.pdf](http://www.atkearney.com/res/shared/pdf/gsl_i_2007.pdf)>.

<sup>233</sup> *Offshoring for long-term advantage*.

<sup>234</sup> Vernygora, ‘Tiny E-Estonia big on the internet’.

<sup>235</sup> Vernygora, ‘Tiny E-Estonia big on the internet’.



In 2009, the Global Services Location Index showed the Baltic States being able to almost repeat their 2007 results. Once again, Estonia was leading the trio from the world's 18<sup>th</sup> place, followed by Lithuania and Latvia correspondingly taking 21<sup>st</sup> and 22<sup>nd</sup> places.<sup>236</sup> Additionally, Estonia's 'business environment' rating was 8<sup>th</sup> best – 0.05 points better than of New Zealand's and only 0.02 points shy of the Australia's results in this important segment of the survey.<sup>237</sup>

### **3.3. Operational compatibility: are there any obstacles?**

Similarly to the previous chapter, the operational angle of this analysis is predominantly framed by the data generated with the help of the survey. This time the respondents who represented New Zealand and the Baltic States were asked to express their opinion on the idea to choose one of the Baltics as 'gateway' for New Zealand to promote itself in the region.

#### **Question 2 – Appendix 1 (for New Zealand respondents):**

*Does an idea to choose one of the three Baltic States as a 'gateway' for promoting New Zealand image, business interests, scientific achievements and political values in the Baltics have a perspective?*

1. 53 per cent of individuals (10 people) gave positive answers to this question with one person (5 per cent) giving no answer.
2. 88 per cent of elite representatives (7 people) expressed different level of negativity to the idea of a 'gateway'.
3. 82 per cent of students (9 individuals out of 11) responded positively.

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<sup>236</sup> *The shifting geography of offshoring*, The 2009 A.T. Kearney Global Services Location Index (A.T. Kearney Inc., 2009). Available from <<http://www.atkearney.com/index.php/Publications/global-services-location-index-gsli-2009-report.html#>>.

<sup>237</sup> *The shifting geography of offshoring*.

Characteristically for this part of the survey, its main trend was that the two groups of respondents (elite representatives and students) demonstrated *diametrically different opinions* on the subject. Furthermore, the only elite group's respondent who answered the question positively ("a valid idea"), immediately stated that it would be "a big shift from current thinking [...] orientated towards Western Europe". In addition, one of the respondents from the student's group gave the answer – "[a] bilateral approach seems more optimistic" – that could not be allocated to either positive or negative responses.

There were three distinct patterns found in the answers of the New Zealand sample. The first pattern would be framed as *the Baltic States are very different* for one to be chosen as a 'gateway' to the three countries (16 per cent of all respondents or three people). As an example, one of the survey participants noted that "different actors or organisations might lead to different gateways" (elite). The other respondent's expression was that "[e]ach of the three Baltics is very different, with different languages and cultures"; the same person also questioned the possible assumption "that promotion in one of the Baltics would result in promotion in the other Baltics" (elite). Finally for this pattern, a respondent was very specific in suggesting that if "you need to go to the trade show that attract the most people in your industry, this could be in any of the [Baltic] States" (elite).

Next pattern was found in two answers only and had direct relevance to *the New Zealand Embassy is Warsaw*. One of the respondents from the elite group strongly argued that the Baltics "can be serviced through on Embassy in Poland, which [...] is our 'gateway'". The other elite representative suggested that the Warsaw location "gives roughly equal emphasis to each of the three Baltic accreditations".

The third pattern was indicated by three respondents and driven by a degree of *practicality* for the idea of the New Zealand 'hub' in the Baltic States to be

implemented. One of the respondents underscored that it would not be “feasible for New Zealand to open embassies in all these countries”, concluding that the idea of the ‘hub’ “would make sense” (student). The other student backed his/her positive answer by adding that “it could be a practical option”. The next argument in favour of choosing one of the Baltics as a ‘gateway’ for New Zealand in the region was based on the fact that New Zealand “has limited resources” thus “it makes sense to focus their infrastructure in one location to serve the other Baltic States” (student).

<i>Summary of Trends</i>	<i>Summary of Patterns</i>
Elites and students have diametrically different opinions on the subject.	The Baltics States are too different to chose one of them to become New Zealand’s ‘gateway’ to all three.
	In relations to the Baltic States, the role of the New Zealand Embassy in Poland has to be explored further.
	The idea to choose on of the Baltics to be a ‘gateway’ for New Zealand in the region is practical and makes sense.

**Question 3 – Appendix 2 (the Baltics):**

*Does an idea to choose one of the three Baltic States as a ‘gateway’ for promoting New Zealand image, business interests, scientific achievements and political values in the Baltics have a perspective? If ‘yes’, is there a chance to have a reverse effect – when your region will choose New Zealand for the same reason?*

1. 75 per cent of respondents (twenty seven individuals) answered this question positively with 19 per cent (seven people) giving negative answer.
2. Two respondents gave no answer (one of them – a Latvian elite representative – was not even asked as the time for the interview had run out).

3. The Estonian group was overwhelmingly positive to the idea framed by the question with 88 per cent (fourteen respondent) answering ‘yes’; the Latvian respondents followed with 67 per cent (keeping in mind that one personality did not have a chance to answer the question), and the 64 per cents of the survey participants from the Lithuanian group responded positively.

While generating no specific trends, this segment of the survey helped to generalise four distinct patterns. Echoing with their New Zealand counterparts, some of the respondents from the Baltics States, directly or indirectly, acknowledged the refrain on *uniqueness* of the already ‘grown-up’ independent Baltics. This pattern brings a significant degree of sceptical realism into the concept of a New Zealand ‘hub’, but the common attitude still remains positive. For example, in one opinion, New Zealand perceives the Baltics “as a group rather than individually”; at the same time, as suggested, “each of the Baltic States is pursuing their own interests and paths in achieving wider recognition” (elite, Estonia). It was also noted that “the probability for a Lithuanian from Vilnius to come to Tallinn to require some information is very small” (elite, Estonia). Another commentary was on the fact that Estonia, Latvia and Lithuania “are ultimately independent countries”, adding that “[e]ach country has strength in different areas” (elite, Estonia). At the same time, a Lithuanian student saw his country’s uniqueness as an opportunity to “show our national values” to New Zealand.

Ten of the survey participants, whilst welcoming ‘more New Zealand’ in the region via its ‘gateway’ in one of the Baltics, decided to elaborate on the practical thoughts, actual steps or *concrete actions* to enhance relationships. An Estonian elite representative suggested that it “may lead to good opportunities in the Northern Europe, Scandinavia and the Baltics”, adding that “[t]here are so many good signs of this idea [to be realised]”. Should it be chosen as a New Zealand ‘hub’ to the Baltic States, Latvia “would like to broaden its international cooperation” (Latvia,

student). The promotion of “tourism and cultural exchange” was picked up by another Latvian student. A very similar sentiment was expressed by a respondent from the Estonian elite group, stating that “cultural programmes [and] sister-cities programmes [...] can bring people together”. The latter opinion was backed by a participant who noted that “something like New Zealand Expo [in the region] is overdue”, suggesting that his native Estonia could welcome New Zealand as an investor in the country’s dairy sector as well as through the partnership “on the city-city basis” (elite). A survey participant from Lithuania called for New Zealand to be “more proactive” in order to realise the idea of having a ‘hub’ in her country (elite). A respondent from the student group went further, visualising New Zealand’s expertise and capabilities to “successfully promote the image of Estonia (or any other Baltic country) in whole Pacific region or/and Australia and even Indo-China and Indonesia” (Estonia). The remaining two statements, which could be allocated for the ‘concrete actions’ pattern, were made by Estonian elite representatives on the subject of raising knowledge. For example, New Zealand and Estonia were suggested to “develop contacts, [...] learn more about economic achievements” of each other, and this could lead to the situation when “Estonia could become a priority market” for New Zealand. The other respondent argued that “the knowledge about each other has to be raised through common study work [and] international affairs programmes”.

The issue of *common interests of the EU* framed the next pattern of this particular bit of the survey. Even though it was mentioned by two respondents only, its complexity was very much underscored. The nowadays necessity (“the most important thing”) for the Baltic States “to act in common interests of the European Union” was chosen by a Latvian student as an argument to reject the idea of the New Zealand’s ‘gateway’ in the region. However, it was indirectly challenged by a Lithuanian elite representative who welcomed the idea on the basis that the EU Member States could “learn [from New Zealand] how to deal with ecology and

energy problems”. The latter issues are presumably in the common interest of the whole EU, not only the Baltics.

Three individuals (all from Estonia) recalled similar interactions, contextualising them with the idea of the ‘hub’ and thus framing the *it has been done before* pattern. For example, a statement that “many companies have decided to base their ‘hub’ to one of the three Baltic countries” was indirectly backed by a comment that a ‘gateway’ to a region is a “usual tactic for several companies”. There was also a commentary suggesting that the contacts between New Zealand and the Baltics already exist. There was an example given that an Estonian post-graduate student (known to the respondent) had been doing a PhD-level research in Wellington.

<i>Summary of Patterns</i>
The Baltics are independent and unique
Concrete actions
Common interests of the EU
It has been done before

### **3.4. Mini-conclusion**

The ever-present European regionalism (and particularly its distinctly unique Central-Eastern variation) was chosen to be tested as a theoretical framework for this chapter. A number of factors – such as New Zealand successful experience in dealing with different regions worldwide, the Baltics’ advantageous location, their noted aspirations to lead the region and the Central-Eastern Europe’s emergence as a reliable provider of global services – suggested that New Zealand could significantly benefit from establishing a formal or informal ‘gateway’ in one of the Baltic States. However, this approach (in spite of its approval by majority of the

survey participants) has clashed with some of realism-driven arguments, diminishing the presumably benefit-providing regional vectors within the Baltics. Structurally, the two sides are 'ready to go'. Operationally, there are few important elements required to be acknowledged. For example, the process of cooperation is evidently lacking serious actions from both sides (i.e. sister cities, EXPO, on the ground tourism promotion, student exchange others). Importantly, there is always an issue of 'bottom line' contextualised with any of 'hub'-related activities. Also, the Warsaw Embassy's role in the process has to be studied much further and over time, with recommendations to be provided.





Nunna, Sauna and Kuldjala Towers, Tallinn

(photo: Vlad Vernygora)



Town Hall Square (Raekoja Plats), Tallinn

(photo: Vlad Vernygora)



## 4. Why Estonia?

Once it has been argued that, firstly, New Zealand will benefit significantly from developing its closer interconnections in the region of the Baltic States, and, secondly, the idea to choose one of the three Baltic countries as a formal or informal ‘hub’ has a number of advantageous points, the next logical step is to actually choose a location for the ‘hub’. This dissertation’s suggestion of making such a choice in favour of Estonia needs further investigation. Commencing with a brief historic overview on New Zealand-Estonian connections in the past and some of Estonia-related facts, this particular chapter will be dedicated to analysing the concept of the ‘Estonian hub’ from theoretical, structural and operational angles – to keep the discussion on the final research question in the same methodological line with the first two.

### 4.1. Theoretical Dimension: An Intergovernmental Estonia

For New Zealand to be able to single Estonia out of the EU’s 27 Member States is a highly challenging but not a ‘mission impossible’ task. The historical build-up of the European continent and the innovative political order of the EU allow the Member States to maintain their very own political profiles whilst being under the unifying supranational umbrella at the same time. Indeed, it is hard to imagine the UK, Germany or France to become entirely dissolved as entities within the EU. The same applies to smaller countries like the Baltics, too. As argued by Vernygora and Chaban, there is a direct linkage between a possibility for the Member States to co-exist, cooperate and prosper in the EU **and** the fundamental notion of equality that has been guaranteed by the EU’s legislation.<sup>238</sup> According to the Maastricht Treaty

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<sup>238</sup> Vlad Vernygora and Natalia Chaban, ‘An invisible giant: a ‘snapshot’ of the EU as a subject of juridical interactions’ in *Socio-economic environment: harmonisation in the EU countries of Baltic Sea Rim*, ed. by A. Kirch and T. Kerikmae (Tallinn: Institute for European Studies, International University Audentes Collection, 2008), p. 161. Available from <[http://www.ies.ee/iesp/No4/Vernygora\\_Chaban.pdf](http://www.ies.ee/iesp/No4/Vernygora_Chaban.pdf)>.

on European Union, the true equality can be achieved by respecting “the national identities of its Member States”.<sup>239</sup> Surely, this approach was designed to lead the Member States towards realising the need of having a closer and more cohesive unified polity that would be capable enough “to assert its identity on the international scene”.<sup>240</sup> For Estonia, being a Member State of the EU, means that it is participating in the process that is with necessity approaching the moment when the supranational establishment is to eventually become a truly global **political** actor of the modern age. It also means that the EU’s emerging political order, with the time, will be making the linkages between economic and political objectives almost impossible to disentangle.<sup>241</sup> Moreover, the adoption and ratification of the Lisbon Treaty have paved the way for the EU to have a more coherent foreign policy and a more enhanced military stance.

Nevertheless and on the contrary to a number of unifying and even federalist vectors within the EU at present, its innovative nature still allows the Member States to act and perform on the intergovernmental arena. The controversial as well as non-conventional Open Method of Coordination<sup>242</sup> is one of the best examples of intergovernmentalism being very much alive in the EU. Another example would be the newest version of the CFSP that, according to the norms of the Lisbon Treaty lost its pillar status, was broadened in scope and retained its distinct intergovernmental nature. Giving an example of France, Smith ironically noted that it would not “agree to be represented in global affairs over a five-year term by someone from Greece or Estonia”.<sup>243</sup> All these facts prove the point that **intergovernmental tendencies and mechanisms are very contemporary and relevant** for the present form of the EU. In this dissertation’s case, Estonia’s visible

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<sup>239</sup> ‘Maastricht Treaty’, Title 1, Article F, par. 1 in *The European Union official web portal*. Available from <<http://europa.eu.int/en/record/mt/title5.html>>.

<sup>240</sup> ‘Maastricht Treaty’, Title 1, Article B, par. 1.

<sup>241</sup> Smith, p. 239.

<sup>242</sup> ‘Open Method of Coordination’ in *The European Union official web portal*. Available from <[http://europa.eu/scadplus/glossary/open\\_method\\_coordination\\_en.htm](http://europa.eu/scadplus/glossary/open_method_coordination_en.htm)>.

<sup>243</sup> Smith, p. 262.

role on the intergovernmental stage could be advantageous for New Zealand enhancing its cooperation with the Baltics. It is better to enter the region with proper introduction via the country that has a more recognisable geo-political silhouette. This dissertation argues that such a country for New Zealand in the region of the Baltics is Estonia.

#### 4.1.1. Constant drive for independence

One of Europe's most pragmatic and secular countries,<sup>244</sup> Estonia has always been quick to react on the issues on independence. In 1917, it was the only national region to which the Provisional Russian government granted autonomy.<sup>245</sup> In 1980s, the initial movement towards independence was predictably characterised by both 'liberal' and 'illiberal' forms of nationalism – on the one side, ethnic minorities actively participated in the process of making Estonia independent; on the other side, Estonians could not forget historical facts of “Stalinist deportations [...] and russification policies”<sup>246</sup> that took place in the country during the Soviet times. Having experienced “what turned out to be a wholly false, coercive integrating force”<sup>247</sup> and its collapse, Estonia went through the period of “resurgent nationalism”.<sup>248</sup> Reflecting on the Estonians' predominantly negative attitude to the Soviet past, some scholars qualified procedures for Russian-speaking community to obtain Estonian citizenship as “severe”.<sup>249</sup> However, some others were not as critical noticing “the growing acceptance of the Estonian state by the resident Russian speakers”.<sup>250</sup>

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<sup>244</sup> O'Connor, p. 54.

<sup>245</sup> Misiunas and Taagepera, p. 9.

<sup>246</sup> Dovile Budryte, *Taming nationalism? Political community building in the post-Soviet Baltic States* (Aldershot, Hants, England; Burlington, VT: Ashgate, 2005), p.8

<sup>247</sup> David Kirby, *The Baltic World 1772 – 1993: Europe's northern periphery in an age of change* (London, New York; Longman, 1995), p. 473.

<sup>248</sup> Kirby.

<sup>249</sup> Service, p. 171.

<sup>250</sup> Budryte, p.9

Having spent decades under the Kremlin's strict control before regaining independence in 1991, Estonia was however one of the most unique pieces in the puzzle of the Soviet administrative hierarchy. In accordance to the USSR-building formula that was set up by Joseph Stalin, "[...] the nationality which gives its name to a given Soviet republic [...] must not have too small a population; it should have a population of, say, not less, but more than a million".<sup>251</sup> Contradicting to this rule, Estonia with less than a million people was one of the four exceptions (the others were the Turkmen, the Kyrgyz and the Karelo-Finnish republics) to become a Soviet titular republic with the formal rights of a state. The two following reasons were critical for Estonia to be among the USSR's highest administrative-territorial cast of **fifteen titular republics** and have its own constitution. First reason – it was bordering foreign countries,<sup>252</sup> which to Estonia were Finland and Sweden lying across the Baltic Sea. Secondly, it was an independent sovereign state before suffering brutal annexation in 1940.

In spite of being absolutely hypothetical, the right to secede from the USSR was one of the main constitutional rights of the Soviet Union's titular republics declared by every Soviet Constitution from 1924 to 1977.<sup>253</sup> According to the so-called Stalin 1936 Constitution, the Soviet Union was "a federal state, formed on the basis of the voluntary association of the Soviet Socialist Republics having equal rights".<sup>254</sup> In reality, the Russian nation's dominating role in the multilingual and multicultural society of the former Soviet Union was a core element of the hierarchy and was "encouraged by the regime to take pride in the fact that they belonged to a 'great

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<sup>251</sup> Joseph Stalin, *Leninism* (London, 1940), p. 584 quoted by Chimen Abramsky, 'The Biro-Bidzhan Project, 1927-1959' in *The Jews in Soviet Russia since 1917*, ed. by L. Kochan, 3<sup>rd</sup> edition (Oxford, London, New York: Oxford University Press, 1978), p. 75.

<sup>252</sup> Ian Bremmer, 'Reassessing Soviet nationalities theory' in *Nation and politics in the Soviet successor states*, ed. by I. Bremmer and R. Taras (New York: Cambridge University Press, 1993), p. 5.

<sup>253</sup> *The Soviet Constitution of 1924*, Chapter II, Article 4, available from <<http://user.cyberone.com.au/myers/ussr1924.htm>>, *The 1936 Constitution of the USSR*, Article 17, available from <<http://departments.bucknell.edu/russian/const/36cons01.html>> and *The 1977 Constitution of the USSR*, Article 72, available <<http://departments.bucknell.edu/russian/const/77cons03.html>>.

<sup>254</sup> *The 1936 Constitution of the USSR*, Article 13.

power”.<sup>255</sup> Interestingly enough, as argued by Chaban and Vernygora, New Zealand political elites were aware of “the Soviet Union’s specific national structure”.<sup>256</sup> Desmond Costello, a New Zealand diplomat who was a member of the country’s first legation in the USSR, noted in 1944:

The [...] Republics of the USSR are in no sense ‘daughter nations’ of Russia. Russia (RSFSR)<sup>257</sup> is the largest of them, that is all. They are separate nations, often differing widely from one another in language and traditions and which have been linked together first by the historical accident of having formed part of the Tsarist-Russian Empire, secondly by their (more or less willing) acceptance of the ideology and purposes of the Bolshevik Party.<sup>258</sup>

In Estonia, a certain degree of negativity towards the former dominant power goes with “the global ethnic identity revival”<sup>259</sup> and its visible tendencies in the post-Soviet territory. Taking pride of being an Estonian can be treated as a payback to the times of “the assimilation strategy”<sup>260</sup> that “was *de-facto* applied to [national] minorities of the Soviet Union” by the Kremlin political power. Pursuing its negative approach towards the Soviet past, it is suggested that Estonia does not really ‘fight’ a particular neighbouring super-power that could be easily located. On the contrary, its strong antipathy is, in fact, towards “a particular ideology and socio-political system, Stalinism”.<sup>261</sup> In some cases, however, the past could still play a dramatic role in Estonia, not without an influence from the country’s largest

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<sup>255</sup> Dunlop, p. 46.

<sup>256</sup> Chaban and Vernygora, p. 75.

<sup>257</sup> Denotes Russian Soviet Federative Socialist Republic.

<sup>258</sup> Desmond P. Costello, ‘The Constituent Republics of the USSR’, Appendix B in Malcolm Templeton, *Top hats are not being taken: a short history of the New Zealand legation in Moscow, 1944-1950* (Wellington: New Zealand Institute of International Affairs in conjunction with the Ministry of External Relations and Trade, 1989), p. 81. This citation was also used in Chaban and Vernygora, p. 75.

<sup>259</sup> Maria Zubrytska, ‘Between Scylla and Charybdis: prospects and challenges of Ukrainian culture in the current global context’ in *Australian Slavonic and Eastern European Studies Journal*, volume 20, Nos 1-2, 2006, p. 9.

<sup>260</sup> Zubrytska.

<sup>261</sup> ‘Nation re-building and political discourses of identity politics in the Baltic States’ in Graham Smith et. al., *Nation-building in the post-Soviet borderlands* (Cambridge, England; New York: Cambridge University Press, 1998), p. 97.

neighbour. In April-May 2007, as consequences of the Estonian government's decision on moving the Soviet war memorial (known as the Bronze Soldier) from the central part of Tallinn to another place in town, the Estonian capital experienced riots by ethnic Russians; moreover, violent protests by Russian pro-Kremlin nationalist youth took place in front of the Estonian Embassy in Moscow and 'cyber attacks' on Estonian governmental computers were launched.<sup>262</sup> The developments were openly described by Zbigniew Brzezinski as "threats from Russia" – an EU Member State Estonia became the object of "economic sanctions and disruptive cyberwarfare".<sup>263</sup> In May 2007, Laar's article to *The New York Times* featured the former Estonian Prime Minister's concern that Stalin is once again becoming a hero in Russia.<sup>264</sup> A month later, *The New Zealand Herald* quoted Kardi Liik, Director of Tallinn's International Centre for Defence Studies, expressing concerns that it was "difficult for Moscow to accept that a part of the former Russian empire is now part of the EU".<sup>265</sup>

#### 4.1.2. Historical connections

There was a strong argument that, since the formal foundation of the nation in 1840, New Zealand's immigration policy was "highly selective and exclusivist".<sup>266</sup> At the same time, this could hardly be offered as the main explanation for a very small number of Estonians living in New Zealand before the World War II. In twentieth century, the first direct contact that Britain had with the officials from the Baltics occurred in January 1918 only – Estonian and Latvian delegations were seeking the

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<sup>262</sup> Stefan Wagstyl and George Parker, 'Russia rail move to hit Estonian supply line' in *The Financial Times*, 3 May 2007.

<sup>263</sup> Zbigniew Brzezinski, 'Staring down the Russians' in *Time*, issue 33, 25 August 2008, p.23.

<sup>264</sup> Mart Laar, 'Imperially deluded' in *The New York Times*, 4 May 2007. Available from <<http://www.inopressa.ru/print/wsj/2007/05/03/12:54:08/estonia>>.

<sup>265</sup> Kardi Liik as quoted by Jason Burke, 'Uneasy calm in eye of Cold War storm' in *The New Zealand Herald*, 7 June 2007. Available from <[http://www.nzherald.co.nz/world/news/article.cfm?c\\_id=2&objectid=10444070](http://www.nzherald.co.nz/world/news/article.cfm?c_id=2&objectid=10444070)>.

<sup>266</sup> Wolfgang Kasper, *Populate or languish? Rethinking NZ's Immigration policy* (Wellington: New Zealand Business Roundtable, 1990), xiii.

British official vision on independence of the Baltic nationalities.<sup>267</sup> The 1921 Census showed that only 8 Estonian-born people were residing in the former British colony at the time (as compared to 14 Latvians and 8 Lithuanians).<sup>268</sup>

According to a unique evidence collected by Asta Gale and Ali Kapp, the first sizable group of Estonian people (116 in total) arrived to New Zealand on 20 June 1949.<sup>269</sup> Those Estonians were post-World War II refugees, and their initial settlement was established in Pahiatua Camp,<sup>270</sup> together with hundreds of other refugees from Eastern Europe (Polish, Ukrainians, Lithuanians, Latvians, Belarusians others). The ship with young Ortvin Sarapu<sup>271</sup> who was later nicknamed in New Zealand as Mr. Chess – ‘Hellenic Prince’ – arrived in Wellington in October 1950.<sup>272</sup> Having been assisted by the New Zealand Government to leave the devastated Europe and come to New Zealand, the refugees had the legal obligation to work for two years.<sup>273</sup> With the time, Estonian newcomers got resettled throughout the country with about 50 people choosing Auckland, 22 – Christchurch, and the remaining group went to Wellington and Dunedin.<sup>274</sup> The data taken from the 1951 Census showed that New Zealand became home for 212 Estonians (423 Latvians and 184 Lithuanians).<sup>275</sup>

Back in 1950s, an Estonian immigrant in New Zealand had not only a new life to be built but a story to tell and a social task to accomplish. Tõnu Loorpärg, Estonia’s current Honourary Consul in New Zealand (residing in the Wellington region), was

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<sup>267</sup> Edgar Anderson, 1959, p. 276 as quoted in Hinkkanen-Lievonen, p. 55.

<sup>268</sup> ‘Russian, Ukrainians and Baltic peoples’ in *Te Ara Encyclopedia of New Zealand*. Available from <<http://www.teara.govt.nz/NewZealanders/NewZealandPeoples/RussiansUkrainiansAndBalticPeoples/3/en>>.

<sup>269</sup> Asta Gale and Ali Kapp, ‘Eestlased Uus-Meremaal’ in *Eestlased Austraalias II ja Uus-Meremaal*, ed. by T. Valjaanne (Melbourne: Australia Eesti Setside Liit, 1995), p. 284.

<sup>270</sup> Gale and Kapp.

<sup>271</sup> Ortvin Sarapu’s original family name was Sarapuu.

<sup>272</sup> Sarapu, p. 10.

<sup>273</sup> ‘Estonia and New Zealand’.

<sup>274</sup> Gale and Kapp, pp. 284, 286-288.

<sup>275</sup> ‘Russian, Ukrainians and Baltic peoples’.

in the very first group of Estonian post-World War II refugees. Describing his personal experience of being an Estonian Kiwi, he noted:

Most of my generation was brought up on an ethic, which focused on keeping the idea of Estonian Independence alive despite apparently overwhelming odds. In the context of living as an Estonian in New Zealand this has meant (especially for those of us with Estonian names) a continued need to explain where Estonia is located geographically, to explain and differentiate Estonians from ‘Russians/Soviets’ and the need to create awareness among the New Zealand population about the dangers of Soviet totalitarian expansionism and what this had meant in our homeland.<sup>276</sup>

Estonian family names (some of them are extremely difficult to be pronounced by a native English speaker) never made life easier for their holders. Very often, it would lead to numerous confusions and even anecdotal situations. For example, Sarapu remembered that he was once called by an Australian newspaper as “New Zealand Maori” after winning the open Australian chess championship back in 1957 – the media source simply could not determine the national background of the gifted chess player’s family name.<sup>277</sup>

### **4.1.3. Re-establishing diplomatic relations**

The former smallest Soviet titular republic whose existence in the period between and after the two world wars was very much depended “on the policies pursued by Germany and Russia”,<sup>278</sup> Estonia, not without a significant effort, took its ‘European’ political outfit back. It had to proclaim its independence twice (in 1918 from Russia and in 1991 from the Soviet Union), and it is visibly feeling “grateful to

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<sup>276</sup> Loorpärg.

<sup>277</sup> Sarapu, p.28.

<sup>278</sup> von Rauch, p.5.



be in the European fold”<sup>279</sup> now. Charlie McCreedy, the EU Commissioner for Internal Market and Services, argued that the EU allowed many of smaller countries “not to be depended on big neighbours”.<sup>280</sup> Being the first post-Soviet country to replace the rouble with its national currency back in June 1992,<sup>281</sup> Estonia quickly managed to get credits for its remarkable political and economic recovery transforming itself into a democratic “plugged-in member of the global information economy”.<sup>282</sup>

Since the diplomatic relations were re-established in 1992, New Zealand’s first experience of extended bilateral negotiations with Estonia occurred in 1998-1999. The two parties held talks on “tariffs and domestic support of agricultural products”<sup>283</sup> in the framework of Estonia’s WTO negotiations. The agreement was successfully reached in February 1999, leading the way for Estonia to join the WTO. From this point, the official contacts between the two countries started carrying a certain degree of substance.

In October 2001, the then newly elected Estonian President Arnold Rüütel in his discussion with New Zealand Ambassador Christopher Butler focused on prospects of cooperation between the two countries in the areas of “culture, agriculture and environment protection”.<sup>284</sup> President Rüütel also noted about his country’s admiration of “the preservation of the Maori ethnic identity [...] and strengthening of Maori cultural traditions”<sup>285</sup> in New Zealand.

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<sup>279</sup> Mark Landler, ‘A land of northern lights, cybercafés and the flat tax’ in *The New York Times*, 21 December 2005. Available from

<[http://www.nytimes.com/2005/12/21/international/europe/21letter.html?\\_r=1&oref=slogin](http://www.nytimes.com/2005/12/21/international/europe/21letter.html?_r=1&oref=slogin)>.

<sup>280</sup> Charlie McCreedy, Remarks, Auckland Chamber of Commerce, Auckland, 30 October 2009.

<sup>281</sup> Titma and Rammer, p. 278.

<sup>282</sup> Landler. <[http://www.nytimes.com/2005/12/21/international/europe/21letter.html?\\_r=1&oref=slogin](http://www.nytimes.com/2005/12/21/international/europe/21letter.html?_r=1&oref=slogin)>.

<sup>283</sup> ‘Estonia and New Zealand’.

<sup>284</sup> ‘The President of the Republic met the Ambassador of New Zealand’, 22 October 2001, in *The official web portal of the President of the Republic of Estonia*. Available from <[http://www.president.ee/en/duties/press\\_releases.php?gid=11267&mid=New%20Zealand](http://www.president.ee/en/duties/press_releases.php?gid=11267&mid=New%20Zealand)>.

<sup>285</sup> ‘The President of the Republic met the Ambassador of New Zealand’, 2001.

Less than two years later, in January 2003, during his meeting with President Rüütel, New Zealand new Ambassador Payton promised “to do his best to contribute to the promotion of [...] bilateral relations”.<sup>286</sup> His activities in the region led to the NZ MFAT’s recognition of Estonia’s “entrepot role”<sup>287</sup> for New Zealand-originated goods to the Northern European destinations. And finally, in June 2008, answering a question on Baltic States during his Europa Lecture, Minister Peters, who visited Estonia in 2006, described it as “quite amazing”.<sup>288</sup>

#### **4.1.4. Similar attitudes – Estonia, Finland and New Zealand**

The well-known similarities between Finland and Estonia were evidently noted by Richard Lewis in his popular ethnographical study about the Finnish society. According to him, the Estonians who “definitely have the Finnish model in close focus”<sup>289</sup> were separated from the Finns around 1000 B.C., but they are still “closely related [...] both racially and linguistically (many Estonians speak almost perfect Finnish)”.<sup>290</sup> Interestingly enough, in Lewis’ book, there was a somewhat surprising New Zealand connection in the discussion about the Nordic people. Whilst describing pragmatism and straight-forwardness of the Finns, the author mentioned about a survey conducted on attitudes in fifty nations worldwide – the paper results showed the Finns and the New Zealanders as the “least susceptible to flattery”.<sup>291</sup>

There is another similarity between New Zealand and Finland, this time it is a well-known fact. New Zealand is widely respected for being the first nation in the world

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<sup>286</sup> ‘The President of the Republic met with the Ambassador of New Zealand’ in *The official web portal of the President of the Republic of Estonia*. Available from

<[http://www.president.ee/en/duties/press\\_releases.php?gid=28463&mida=New%20Zealand](http://www.president.ee/en/duties/press_releases.php?gid=28463&mida=New%20Zealand)>.

<sup>287</sup> ‘Bilateral relationship with Estonia’.

<sup>288</sup> Peters, remarks during his ‘Europa Lecture’.

<sup>289</sup> Richard D. Lewis, *Finland, cultural lone wolf* (Yarmouth, Maine, USA: Intercultural Press, 2005), p.129. Lewis, p. 129.

<sup>290</sup> Lewis, pp.8 and 129.

<sup>291</sup> Lewis, p. 61.

to declare equal voting rights for women and men; Finland is remembered for becoming the first European nation to do so.<sup>292</sup>

#### 4.1.5. Baltic leaders who made difference

From the beginning of 1990s, the Baltic States were noted by a number of capable politicians who rose on the waves of the pro-independence movement. With Lennart Meri becoming Estonia's President in October 1992, not only his very own country received a remarkable statesman to lead it to the future, but all three Baltic States got their informal and well-respected spokesman for the first time. The highly educated personality who remembered the times of the pre-World War II sovereign Estonia, grew up in a diplomat's family in Paris and Berlin and survived the Siberian gulag,<sup>293</sup> Lennart Meri was never shy to condemn the 1939 Molotov-Ribbentrop (or Stalin-Hitler) pact as "the last-gasp attempt of two colonial empires to divide the world as if it were a birthday cake".<sup>294</sup> President Meri's name was also associated with numerous legends and even anecdotal situations, which would have strong connections with his identity of being an Estonian. For example, during the official meeting with the US President Clinton in the White House, Lennart Meri was asked by his American counterpart to show Estonia on the luxurious model of the globe. Answering the question, Meri took a marker and drew a thick cross exactly on Estonia's location.<sup>295</sup>

Back in 2006, after Toomas Hendrik Ilves was elected by the Estonian parliament to serve as the country's new President, the Baltic States made highlights worldwide –

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<sup>292</sup> John Markoff, 'Transition to democracy' in *The handbook of political sociology: states, civil societies and globalization*, ed. by T. Janovski et. al. (New York: Cambridge University Press, 2005), p. 398.

<sup>293</sup> Donald G. McNeil Jr., 'Estonia's President: un-Soviet and unconventional' in *The New York Times*, 7 April 2001. Available from <<http://vp1992-2001.vpk.ee/eng/PrintidavDokument.asp?ID=4579>>.

<sup>294</sup> Lennart Meri, 'Speech to the Royal Institute of International Relations', Palais D'Egmont, Brussels, 26 November 1992. Available from <<http://vp1992-2001.vpk.ee/eng/PrinditavDokument.asp?ID=9516>>.

<sup>295</sup> Valeria Bondarenko, 'УРОК ГЕОГРАФІЇ ПО-ЕСТОНСЬКИ' in *Dzerkalo Tyzhnya*, issue 22, 15 – 21 June 2002. Available from <<http://www.dt.ua/1000/1600/35092/>>.

by that time the former foreign nationals were elected as leaders of all three Baltic countries. With Valdas Adamkus (a Kaunas-born former US citizen) who initiated the trend in Lithuania in 1999, it was maintained by Vaira Vīķe-Freiberga (a Riga-born former Canadian citizen) in Latvia year later and completed by President Ilves (a Stockholm-born former US citizen) in Estonia.

Since the end of the Lennart Meri political era in 2001 – the popularity of the former Estonian President could hardly be matched by any politician in the region at the time – the informal honourable palm of the Baltics’ most recognisable politician was however shifted to the Latvian President Vīķe-Freiberga (period in office: 1999-2007), a “widely respected *émigré* and academic”<sup>296</sup> with a PhD from McGill University in Montreal. Many commentators argue that the current Estonian President Ilves has now become the “new Baltic face”.<sup>297</sup> In one of his known expressions, President Ilves stated that Estonia should be aiming to become “another boring Nordic country”,<sup>298</sup> clearly visualising his country’s destiny to be in the group of non-corrupt, transparent, liberal and democratic Nordic states (Finland, Denmark, Norway and Sweden).

Indeed, Estonia is a forward-looking nation. A closer partnership with countries like New Zealand is seen as logical. Marko Mihkelson, an influential representative of the new wave of the Estonian political elite, underscored the importance of introducing New Zealand in Estonia not only as “the Lord of the Rings country [that is situated] very far away and only in a dream”.<sup>299</sup> His statement sounded more like a **friendly invitation to New Zealand** to cooperate more with Estonia and its region:

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<sup>296</sup> O’Connor, p. 32.

<sup>297</sup> Veiko Spolitis interviewed by Talis Saule Archeeadon, ‘Breaking Free: Zalter’s First Week in Office’ in *The Baltic Times*, 19-25 July 2007, p. 14.

<sup>298</sup> Pallum, interview.

<sup>299</sup> Mihkelson.

[W]e have had already quite significant political contacts, and it is a good pace for the future. The sizes of our countries are similar in a way that we can be opened to each other much easier.<sup>300</sup>

Very much similar to New Zealand, Estonia is rather small in population but arguably “rich in content”.<sup>301</sup> On the level of the state and from within the Estonian society, the Baltic country is positioning itself with the help of the following four paradigms. The undisputed **Nordic influence** (discipline, emphasis on sustainability and thinking about ‘tomorrow’) comfortably resides together with the **openness** and multi-cultural features, which are more of the Eastern influence.<sup>302</sup> There is also a strong sense of the nation’s **deep historical roots** that helped Estonia to prevail over wars, foreign rulers, disasters and harsh conditions of local climate. And finally, the country’s **ability to create** or/and quickly implement *nouvelle* technological tools deserves recognition – indeed, there many things that are already taken by Estonians for granted but “still science fiction” for many other countries.<sup>303</sup>

## 4.2. A compatibility of a partner

To date, there has been little evidence of New Zealand being properly introduced to Estonia and the broader Baltic region. If found available for the public, New Zealand-related informative material is either of a highly specific nature or extremely general. For example, the Tartu University Library holds a March 2003 article published by a local agricultural edition *Maamajandus* that tells a short story of two New Zealand brothers – Geoff and Ron Howie – who successfully run a sizable dairy-sheep business located in the South Island.<sup>304</sup> On the other side of the

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<sup>300</sup> Mihkelson.

<sup>301</sup> Leitti Mandmets, ‘The story of creating Brand Estonia’ in *2010 Estonian Ministry of Foreign Affairs Yearbook*, p. 75. Available from <[http://www.vm.ee/sites/default/files/Leitti\\_Mandmets\\_0.pdf](http://www.vm.ee/sites/default/files/Leitti_Mandmets_0.pdf)>.

<sup>302</sup> Mandmets, p. 75.

<sup>303</sup> Mandmets, p. 76.

<sup>304</sup> ‘Lupsilambaid peetakse ka Uus-Meremaal’ in *Maamajandus*, March 2003, p. 45

informational equation, an example of a historio-geographical data about New Zealand – *Uus-Meremaa: Dominion of New Zealand*<sup>305</sup> – published in Tartu in 1931 and allocated at the same University Library, too.

Nevertheless, in order to be noticed in Estonia, New Zealand is already on the prime spot as compared to all other nations. Toomas Luman, the President of the Estonian Chamber of Commerce and Industry, is holding the post of New Zealand's Honorary Consul in Estonia from 2005.<sup>306</sup> Not only Mr. Luman is directly involved in business development throughout the Baltic region, but he is also the Chairman of the Advisory board of the Tallinn University of Technology (the country's only technical institution of higher education and the Estonian capital's largest university).

In the short historical period from 1991 to the present time, Estonia has been through many major events of global significance. A number of unique quantitative references, provided by Maddison in 2003, are helping to compare New Zealand's and the Baltic States' macroeconomic positions in 1991 (the year of the Soviet Union's disappearance from the world's political map) and ten years later. *Table 6* indicates the estimate of 'per capita GDP' in New Zealand, Estonia, Latvia and Lithuania as well as in Ukraine, Russia and the whole USSR.<sup>307</sup>

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<sup>305</sup> Edgar Kant, *Uus-Meremaa: Dominion of New Zealand* (Tartu: Aratrükk väljaandest 'Maailma maad ja rahvad', 1931).

<sup>306</sup> 'New Zealand and Estonia'. See also <<http://www.nordiccontractors.com/7219>>.

<sup>307</sup> Agnus Maddison, *The world economy: historical statistics* (Paris, France: Development Centre of the Organisation for Economic Co-operation and Development, 2003).

Table 6: Per Capita Gross Domestic Product Estimated in 1990 International Geary-Khamis Dollars<sup>308</sup>

	1991	2001
New Zealand	\$ 13,514	\$ 16,118
Estonia	\$ 9,744	\$ 11,505
Latvia	\$ 8,888	\$ 7,351
Lithuania	\$ 8,139	\$ 6,842
Ukraine	\$ 5,485	\$ 3,009
Russian Federation	\$ 7,370	\$ 5,435
USSR	\$ 6,409	-

On the year of the collapse of the Soviet communist empire, Estonia – the smallest of all titular Soviet nations – was the wealthiest at the same time. Latvia and Lithuania were among the leaders, too. By the way, the two engines of the Soviet economy (Russia and Ukraine) were far from making top of the table. In ten years since re-gaining independence, the Estonian position got even better advancing 18 per cent from the previous result. The other two of the Baltics States dropped significantly by 17 and 16 per cent correspondingly for Latvia and Lithuania. Laar found his country’s success in “the balance between openness and national identity”.<sup>309</sup> The overwhelming excitement as an aftermath from re-gaining independence had been quickly transforming into a desire to make the country’s ‘comeback to Europe’ sooner rather than later. Having successfully joined the EU and NATO, Estonia experienced a remarkable economic boom fuelled by the 2006-2007 “clearly excessive” credit growth with asset prices being “higher than justified by their fundamental indicators”.<sup>310</sup> In 2006, the Baltic country’s real growth of GDP made to the double digit figure of 10.4 per cent.<sup>311</sup> But it was only a matter of

<sup>308</sup> ‘Geary-Khamis Dollar’ is a non-existent quasi-currency used in the estimate for scientific purpose.

<sup>309</sup> Mart Laar, *Bird’s-Eye view of Estonian history* (Tallinn: Grenader, 2007, second corrected edition), p. 70.

<sup>310</sup> Märten Ross, ‘On the sustainability of Estonia’s monetary system’ in *2010 Estonian Ministry of Foreign Affairs Yearbook*, p. 39. Available from <[http://www.vm.ee/sites/default/files/Marten\\_Ross.pdf](http://www.vm.ee/sites/default/files/Marten_Ross.pdf)>.

<sup>311</sup> ‘The economy in facts and figures’ in *2008/2009 Estonian Ministry of Foreign Affairs Yearbook*, p. 148. Available from <[http://web-static.vm.ee/static/failid/154/Economy\\_in\\_facts.pdf](http://web-static.vm.ee/static/failid/154/Economy_in_facts.pdf)>.

time for the global economy to get into a recessional economic cycle, and the Estonian political elites were arguably aware of it. In July 2007, Pallum noted:

So far – so good. But as a matter of fact because of the coincidence of more positive factors, economically speaking, we had been through a major crisis – the 1998 Asia and the Russian *rouble* crisis – this is for the first time our economy contracted, in 1998-99. We have to look for one-two cycles economically and only then we will really see whether or not [...] policies we have put in place are good enough to achieve what we want to achieve.<sup>312</sup>

#### 4.2.1. Battling through the turbulent times

The sharp decline was only around the corner and saw Estonia's GDP shrinking 5.1 per cent in 2008 and 13.9 per cent the following year that was, according to *Bloomberg* reporter, “the biggest contraction in the EU behind neighbouring Latvia”.<sup>313</sup> That particular period of time was sharply labelled by *The Economist* as “Eastern Europe's misery”.<sup>314</sup>

Indeed, Estonia is an interesting case study on how a smaller nation reacted in the turbulent times of the world's economic recession. Having been able to accumulate “fiscal revenue during the [economic] boom years equal to 10 per cent of [the country's] GDP”,<sup>315</sup> Estonia not only survived the global shake-up but was one of the IMF-led donor countries that helped to rescue Latvia from the total economic collapse.<sup>316</sup> Together with the Czech Republic and Poland, Estonia jointly gave

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<sup>312</sup> Pallum, interview.

<sup>313</sup> Ott Ummelas, ‘Estonian GDP Grows at Fastest Pace in almost three years on rising exports in *Bloomberg*, 11 November 2010. Available from <<http://www.bloomberg.com/news/print/2010-11-11/estonian-gdp-grows-at-fastest-pace-in-almost-three-years-on-rising-exports.html>>

<sup>314</sup> ‘Eastern Europe's misery’, 23 October 2008 in *The Economist*. Available from <[http://www.economist.com/agenda/PrinterFriendly.cfm?story\\_id=12480935](http://www.economist.com/agenda/PrinterFriendly.cfm?story_id=12480935)>.

<sup>315</sup> Robert Anderson, ‘Estonia speeds full tilt towards the Eurozone’ in *The Financial Times*, 9 June 2009.

<sup>316</sup> ‘IMF approves bail-out for Latvia’ in *BBC official web portal*, 24 December 2008. Available from <<http://news.bbc.co.uk/2/hi/7798776.stm>>.



EURO 500 million to help the Latvian state in rescuing its currency lat.<sup>317</sup> The conservative fiscal policy has been another fundamental cornerstone of the Estonian state since re-gaining independence. The pre-recession Estonia's public debt accounted "for only about 5 per cent of GDP".<sup>318</sup> A high degree of the country's financial system's integration into Scandinavian banking groups<sup>319</sup> has been continuously helping Estonia to remain resilient during the tough times.

Paradoxically, the global financial meltdown gave Estonia a chance to be recognised not just as "the least bad [government] in Eastern Europe"<sup>320</sup> but in a far less sarcastic way as well. In December 2009, *The New York Times* openly recommended the EU "to admit Estonia to [...] [the] single currency area in 2011",<sup>321</sup> giving credits to the country's prudence "about foreign borrowing and fiscal discipline in the boom years".<sup>322</sup> The fact that Estonia became the latest addition to the EURO zone from 1 January 2011 proved the country's "capacity to withstand major shocks".<sup>323</sup> While expecting the country's economic growth to be 4.2 per cent in 2011, the central bank of Estonia forecasted 2010 to be finished with the growth of 2.5 per cent.<sup>324</sup>

#### **4.2.2. Structural Dimension: the OECD factor**

In conjunction with the permanent demand for foreign penetration in the rapidly developing Baltic States' region – primarily, to support the upgrading of industrial

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<sup>317</sup> 'RPT-Update 5: Latvia gets 7.5 bln euro rescue from EU/IMF, others' in *Reuters*, 19 December 2008.

Available from <<http://www.reuters.com/articlePrint?articleId=USLJ42238320081219>>.

<sup>318</sup> Ross, p. 38.

<sup>319</sup> Ross, p. 39.

<sup>320</sup> 'Floret Estonia'.

<sup>321</sup> Paul Taylor, 'The Case for letting Estonia into the Euro Zone' in *The New York Times*, 14 December 2009.

Available from <[http://www.nytimes.com/2009/12/15/business/global/15inside.html?\\_r=1](http://www.nytimes.com/2009/12/15/business/global/15inside.html?_r=1)>.

<sup>322</sup> Taylor.

<sup>323</sup> Ross, p. 40.

<sup>324</sup> Ummelas.

structures and to improve competitiveness of the market in general<sup>325</sup> – the factor of Estonia’s perspective accession to the OECD is not likely to be underrated by New Zealand. For New Zealand, the odds to become interested in the Baltics and to formalise the necessity of getting promoted in the Baltic region will have increased dramatically with Estonia being not only a Member State of the EU but also, due to the country’s considerable achievements in the recent years, one of the OECD states as well. As it was noted by Saar, the OECD members are usually “trend-setters in their respective regions”.<sup>326</sup> Pallum commented on the issue that Estonia has been waiting for such recognition for more than a decade and that the Estonian people could rightfully note their country’s “growth and development”.<sup>327</sup> The February 2008 two-day visit of the OECD Secretary General Angel Gurría to Tallinn was considered as “fresh encouragement”<sup>328</sup> for Estonia on its way to be called one of the world’s most developed country.

Another interesting OECD-related indicator that opens up Estonia’s potential for New Zealand is the organisation’s Programme for International Student Assessment (PISA). In 2006, Estonian school children performed well on the science scale, being ranked fifth (together with Japan) among 57 countries – both full members of the OECD and its partners.<sup>329</sup> Only participants from Finland, Hong Kong, Canada and Chinese Taipei scored higher results, and New Zealand, Australia and the Netherlands coming next after Estonia.<sup>330</sup>

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<sup>325</sup> ‘Industrial Restructuring in Eastern Europe’.

<sup>326</sup> Saar, p. 59.

<sup>327</sup> Pallum, ‘2007: Two Events and Two Trends’.

<sup>328</sup> Adam Krowka, ‘OECD Visit Excites Membership Prospects’ in *The Baltic Times*, 13 February 2008.

Available from <<http://www.baltictimes.com/news/articles/19807/>>.

<sup>329</sup> ‘PISA 2006: science competencies for tomorrow’s world – Table 2: Range of rank of countries/economies on the science scale’, p. 22 in *PISA Official web portal*. Available from <<http://www.pisa.oecd.org/dataoecd/15/13/39725224.pdf>>. See also Saar, p. 59.

<sup>330</sup> ‘PISA 2006: Science Competencies’, p. 22. See also Saar, p. 59.

### 4.2.3. Saaremaa-New Zealand connection

In July 2007, both Pallum and Raie noted that some of New Zealand products had already entered the Estonian market, crediting global distribution for bringing quality Kiwi wine into the country.<sup>331</sup> As a commodity, New Zealand wine has only recently started picking up its popularity in Europe. For New Zealand, it is a NZ\$ 1.2 billion industry in nowadays, and it is no longer a secondary segment of the country's economy as it used to be 10 years ago.

There are, however, some other items, of which New Zealand was known for decades. An Estonian company decided to bank on what has got global reputation of technological advancement, quality and reliability – New Zealand farming equipment. *Saaremaa Ökoküla AS* or *Saaremaa Ecovillage* (SE) is arguably one of the best examples of establishing highly successful ‘on-the ground’ linkages between Estonian and New Zealand businesses.

Driven by a desire to “promote ecologically friendly and traditional [...] lifestyle”<sup>332</sup> of Estonia's largest island Saaremaa, the SE's owners found partners in New Zealand, a country that is known for its ‘clean and green’ image. From 1999, they managed to establish stable business connections with an impressive range of New Zealand companies such as *Tru-Test Group*,<sup>333</sup> an internationally recognised New Zealand-originated and -based conglomerate that manufactures electronic livestock weighing systems and milk metering equipment. The SE became an official representative of *Prattley Industries Limited*,<sup>334</sup> a South Canterbury producer of high quality animal handling equipment, in the Baltic States. In April 2008, the SE together with Prattley's executive Graham Ward took part at the biggest regional

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<sup>331</sup> Pallum and Raie, interviews.

<sup>332</sup> *Saaremaa Ecovillage official web page*. Available from <<http://www.sheep.ee/?m1=36>>.

<sup>333</sup> *Tru-Test official web portal*. Available from <<http://www.tru-test.com/overview.asp>>.

<sup>334</sup> *Prattley Industries official web page*. Available from <<http://www.prattley.co.nz/>>.

agricultural expo MAAMESS. Hando Sutter, the SE's co-owner, noted that "it was very useful for [his local] customers to get explanations directly from the manufacturer", adding that the New Zealand business partner "had a chance to better understand how [Baltic] farmers think".<sup>335</sup>

In 2010, *The New Zealand Pump Company*<sup>336</sup> became another addition to the list of the SE's partners from the South Pacific. The SE is also eyeing *Robertson Engineering Limited*, an Upper Hutt business that is famous of its trade-mark Strainrite fencing systems, to potentially become its distributor in Estonia, Latvia and Lithuania.<sup>337</sup>

#### 4.2.4. Openness as a natural quality

It has been argued that the EU "understands itself [...] as liberal, participatory and social democracy".<sup>338</sup> One of the EU's main legal documents, *the Maastricht Treaty of the European Union*, underlines the common nature of such principles as "liberty, democracy, respect for human rights and [...] the rule of law"<sup>339</sup> for each of the EU's Member States. The Estonian multinational society is no different than, for example, Germany or France, in applying democratic postulates in the every-day life. A number of respected global surveys have been confirming the fact that Estonia is "a promising young actor in the league where New Zealand has already established its place".<sup>340</sup> *Tables 7 and 8* represent New Zealand's and the Baltics' indicators of economic freedom as well as freedom of the press. In both surveys,

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<sup>335</sup> Hando Sutter, e-mail to author, 2 October 2008.

<sup>336</sup> *The New Zealand Pump Company official web page*. Available from <<http://www.nzpump.com/about.html>>.

<sup>337</sup> *Robertson Engineering Limited official web page*. Available from <<http://strainrite.co.nz>>.

<sup>338</sup> Thomas Meyer, 'European Identity', presented 29 July 2006 at workshop *EU's new identity and its perception in Asia: responding to the 7th Framework Programme 'Europe in the World*, Christchurch, New Zealand.

<sup>339</sup> 'Maastricht Treaty', Article 6.

<sup>340</sup> Vernygora, 'E-Estonia is big in the internet'.

Estonia is featuring not only as a leader among the Baltic States but also as one of the most liberal and free nations globally. When Taavi Aas, Tallinn’s Deputy Mayor, had been characterising both his country and city as “very open”,<sup>341</sup> his statement was arguably substantiated with empirical data.

Table 7: Index of Economic Freedom<sup>342</sup>

Country/Year	2004	2005	2006	2007	2008	2009	2010
New Zealand	3	3	3	5	6	5	4
Estonia	6	12	15	12	12	13	16
Latvia	36	50	37	41	38	45	50
Lithuania	24	27	24	22	26	30	29

Basic components: Business freedom, trade freedom, fiscal freedom, freedom from government others.

Table 8: Freedom of the Press<sup>343</sup>

Country/Year	2004	2005	2006	2007	2008	2009	2010
New Zealand	8 (free)	10 (free)	10 (free)	9 (free)	8-11 (free)	11-13 (free)	11-13 (free)
Estonia	28 (free)	24 (free)	17 (free)	16 (free)	16-20 (free)	14-17 (free)	19-20 (free)
Latvia	28 (free)	24 (free)	31 (free)	31 (free)	40-45 (free)	43-48 (free)	55-57 (free)
Lithuania	33 (free)	30 (free)	26 (free)	29 (free)	25-28 (free)	24-26 (free)	32-36 (free)

<sup>341</sup> Taavi Aas, interview with author, 26 July 2007.

<sup>342</sup> ‘Index of Economic freedom’ in *Index of Economic Freedom official web portal*, a product of *The Heritage Foundation* and *The Wall Street Journal*. Available from [http://www.heritage.org/index/PDF/2009/Index2009\\_ExecutiveSummary.pdf](http://www.heritage.org/index/PDF/2009/Index2009_ExecutiveSummary.pdf), [http://www.heritage.org/index/PDF/2008/Index2008\\_ExecutiveSummary.pdf](http://www.heritage.org/index/PDF/2008/Index2008_ExecutiveSummary.pdf), [http://www.heritage.org/research/features/index/chapters/htm/index2007\\_execsum.cfm](http://www.heritage.org/research/features/index/chapters/htm/index2007_execsum.cfm) and <http://www.heritage.org/research/features/index/searchresults.cfm>.

<sup>343</sup> ‘Freedom of the Press reports’ in *Freedom House official web portal*. Available from [http://www.freedomhouse.org/uploads/fop10/Global\\_Table\\_2010.pdf](http://www.freedomhouse.org/uploads/fop10/Global_Table_2010.pdf), [http://www.freedomhouse.org/uploads/fop09/FoP2009\\_World\\_Rankings.pdf](http://www.freedomhouse.org/uploads/fop09/FoP2009_World_Rankings.pdf), [http://www.freedomhouse.org/uploads/fop08/FOTP2008\\_WorldRankings.pdf](http://www.freedomhouse.org/uploads/fop08/FOTP2008_WorldRankings.pdf), <http://www.freedomhouse.org/uploads/fop/2007/pfscharts.pdf>, <http://www.freedomhouse.org/template.cfm?page=271&year=2006>, <http://www.freedomhouse.org/template.cfm?page=204&year=2005>, <http://www.freedomhouse.org/template.cfm?page=203&year=2004>.

#### 4.2.5 Russia the country next door

In November 2009, the attendees of the NCRE/EUCN international conference heard Minister McCully declaring his country's intention to engage in free-trade negotiation with the Russian Federation, the Baltic States' immediate neighbour. Given the facts that Russia is the largest country in the world and New Zealand's fellow APEC member and partner through the ASEAN Regional Forum, the logic of such a move was obvious and functionally justified.

In October 2010, Prime Minister Key described Russia as a country that "links both the Asia-Pacific and Europe regions".<sup>344</sup> The same month, Tim Groser, the New Zealand Minister of Trade, singled the Russian Federation out in the group of "second-tier economies",<sup>345</sup> also including Japan, the Republic of Korea and Brazil in the same 'basket'. A month later, Prime Minister Key and Russian President Medvedev gave the free-trade process a 'kick-off', and Minister Groser even commented on his country's "aggressive trade strategy".<sup>346</sup> An addition that the South Pacific democracy is also an active supporter of Russia's bid for joining the WTO, too,<sup>347</sup> makes New Zealand's future cooperation with one of the world's super-powers fairly perspective and potentially highly rewarding from many aspects.

There are, however, some arguments, which prevent the pragmatic as well realism-driven concept of making partnership with the Russian Federation to be implemented seamlessly in the future. **Firstly**, New Zealand was not in a position to

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<sup>344</sup> Key.

<sup>345</sup> Tim Groser, 'The future shape of regional economic integration in the Asia Pacific region' in *The Official web portal of the New Zealand Government*, 11 October 2010. Available from <<http://www.beehive.govt.nz/speech/future+shape+regional+economic+integration+asia+pacific+region>>.

<sup>346</sup> Vernon Small, 'New Zealand, Russia to start free trade talks' in *Stuff*, 13 November 2010. Available from <<http://www.stuff.co.nz/national/politics/4342760/New-Zealand-Russia-to-start-free-trade-talks>>.

<sup>347</sup> 'Bilateral relationship with Russia' in *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/Countries/Europe/Russia.php>>.

‘pick and choose’ – instead, it was chosen. The objectivity of a commentary that “Russia want to play and they have chosen New Zealand”,<sup>348</sup> could hardly be questioned, even though New Zealand is currently enjoying the status of the world’s biggest exporter of dairy products<sup>349</sup>. **Secondly**, according to the 2010 Transparency International Corruption Perception Index, the Russian Federation is currently one of the most corrupt states, holding the world’s 154<sup>th</sup> place in the group with Central African Republic, Guinea-Bissau, Papua New Guinea, Tajikistan and some others.<sup>350</sup> **Thirdly**, the state of democracy in Russia is alarming. According to the 2010 Freedom of the Press Index, Russia is sharing with The Gambia the world’s 175-176<sup>th</sup> ranking (out of 192 countries), and its press is described as ‘not free’.<sup>351</sup> **Lastly**, the *World Bank Group* placed Russia on 120<sup>th spot</sup> in its 2010 survey On the Ease of Doing Business.<sup>352</sup> In each of the aforementioned spheres, New Zealand – the least corrupt country in the world, a transparent classic democracy with the free press and highly efficient regulations of business activity – is directly on the opposite site of the charts, if compared to Russia.

New Zealand’s declared intention is to supplement its “WTO engagement with an active programme of talking to its trading partners both individually **and** in likeminded groups”.<sup>353</sup> The question of whether or not the Russian Federation is already included by New Zealand in one of the ‘likeminded groups’ of countries or treated ‘individually’ has no clear answer at the moment. In any case, Minister Groser’s following statement clarifies the main point:

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<sup>348</sup> Small.

<sup>349</sup> Gavin Evans, ‘NZ forecasts fall in dairy prices through 2009 (Update 1)’ in *Bloomberg*, 4 August 2009. Available from <<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a4O5KrquIb90>>.

<sup>350</sup> ‘The 2010 Corruption Perceptions Index’ in *Transparency International official web portal*. Available from <[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010](http://www.transparency.org/policy_research/surveys_indices/cpi/2010)>.

<sup>351</sup> ‘Freedom of the Press reports’.

<sup>352</sup> ‘The Doing Business reports’.

<sup>353</sup> Groser.

There is a lot at stake. [...]The economies of APEC account for over 70 per cent of New Zealand total merchandise trade. Our trade with APEC economies has been growing at an average of 4.5 per cent per annum over the last 20 years.<sup>354</sup>

In the framework of prospective engagement with the Russian state, which significantly and openly differentiates its vision on democracy from the Western democratic postulates of free speech and fair elections, New Zealand arguably needs more expertise on Russia provided by reliable partners. As history repeats itself, there is also a practical point for New Zealand to engage with the Baltics in the context of trading with Russia. In 1920-30s, “a lucrative Russian trade, flowing through the Baltic ports”<sup>355</sup> had been supporting the British strong interest in the Baltic States. This is where Estonia could play an active role as one of the leading democracies in the Easter Europe, an expert on Russia and a reliable provider of logistics solutions. In November 2010, *The New Zealand Herald* expressed concerns on the deal with the Russian Federation, primarily because of lack of information on whether or not “Russia live up to its obligations under a free trade agreement”.<sup>356</sup>

Whilst aiming to have a better access to the Russian market of 142 million people, New Zealand, in case of successfully signing the free-trade deal with the world’s largest nation, will be getting access to the sizable markets of Belarus (10 million) and Kazakhstan (16 million) as well. The latter two countries are currently engaged in the Customs Union with Russia.

It is difficult to assess the volume of New Zealand trade with the Russian Federation during the Soviet time. But at a point in history the former Soviet Union was one of the main importers of New Zealand products. It is a known fact that, in 1979, the

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<sup>354</sup> Groser.

<sup>355</sup> Hinkkanen-Lievonen, p. 270.

<sup>356</sup> Brian Fallow, ‘Trade deals? Let’s look before we leap’ in *The New Zealand Herald*, 18 November 2010. Available from <[http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=10688274](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10688274)>.



USSR (the entity of fifteen states, including Belarus, Russia, the Baltics, Kazakhstan, Ukraine others) led the list of consumers of New Zealand wool.<sup>357</sup> Currently, the independent Russia holds 35<sup>th</sup> place in the table of New Zealand trading partners.

#### **4.2.6. Science, culture, sport & public diplomacy**

Arguably, one of avenues for cooperation in science is already on the surface. In 2004, a New Zealand reporter Amy Fletcher called Estonia “the global leader in human gene banking”,<sup>358</sup> adding that the Baltic country has also a “global reputation for transparency and for robust ethical standards”.<sup>359</sup> The author argued that New Zealand’s place on this scientific field is yet to be determined, whilst the Estonian Government in cooperation with Tartu University already established its innovative Estonian Genome Projects in 2001, primarily aiming for acceleration of its work on pharmacogenomics as well as providing “information on population health patterns”.<sup>360</sup>

In sport, an international friendly football match that was drawn by the All Whites and Estonian national side in Tallinn (May 2006) was one of the very few examples when the national teams from the two countries met in sport. Being ranked 39 places below Estonia at the time of the game, the New Zealand footballers and coaches were visibly glad to get a positive result after the Tallinn encounter.<sup>361</sup>

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<sup>357</sup> Barry Gustafson in *New Zealand International Review*, January-February 1980 as quoted in Oltarzhevskiy, p. 212.

<sup>358</sup> Amy Fletcher, ‘Would you let the Government sell your genes’ in *Unlimited*, 26 May 2004. Available from <<http://unlimited.co.nz/unlimited.nsf/ulfuture/079F4D41EB4FA157CC256EA000149E50>>.

<sup>359</sup> Fletcher.

<sup>360</sup> Fletcher. See also ‘What is the Genome Project’. Available from <<http://www.geenivaramu.ee/index.php?id=102>>.

<sup>361</sup> ‘New Zealand vs. Estonia’, 31 May 2006. Available from <<http://www.bigsoccer.com/forum/showthread.php?t=361374>>.

In the area of cultural exchange, Looapärg's recollections were about a men's choir from a Tallinn university that had been travelling around New Zealand in mid 1990s.<sup>362</sup> The 2004 Telecom New Zealand International Film Festival featured presentations of two animated programmes from Estonia – *Estonian Panorama* (a retrospective of main works produced by Estonian main animation studios, Nukufilm and Joonisfilm) and *Priit Pärn* (featuring three titles produced by this internationally acclaimed Estonian director).<sup>363</sup> There were also “occasional private visits” – for example, a theatrical group *RAAM* made a trip to New Zealand in 2009.<sup>364</sup>

A remarkable gesture of public diplomacy was accomplished by the yacht ‘*Lennuk*’ (from Estonian – ‘Airplane’) departed Tallinn on 16 October 1999 to sail around the world under Estonian flag<sup>365</sup>, having visited 25 countries (including the Cook Islands that is in free association with New Zealand), stopped in 39 ports and covered 35,000 miles,<sup>366</sup> and came back home on 18 March 2001 to an artillery salute.

In August 2004, Marcus Williams, a New Zealand artist and a lecturer at Unitec, was one of international participants at the ‘PostsovkhoZ 2004’ festival in Mooste, a village in the Estonian south-east.<sup>367</sup> Once called the “year’s biggest art event in

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<sup>362</sup> Looapärg, e-mail to author, 1 December 2010.

<sup>363</sup> ‘Telecom New Zealand International Film Festival’, 16 July 2004. Available from <[http://www.filarchive.org.nz/news/pr\\_040716\\_NZFF.html](http://www.filarchive.org.nz/news/pr_040716_NZFF.html)>.

<sup>364</sup> Looapärg, e-mail to author.

<sup>365</sup> ‘Estonian Flag travels around the world’ in *2000 Estonian Ministry of Foreign Affairs Yearbook*. Available from <[http://www.vm.ee/eng/kat\\_181/193.html](http://www.vm.ee/eng/kat_181/193.html)>.

<sup>366</sup> Kristin Marmei, ‘Estonian yacht goes full circle’. Available from <<http://www.ce-review.org/01/12/estoniannews12.html>>.

<sup>367</sup> ‘Marcus Williams’ CVs’ in *Unitec official web portal*. Available from <[http://www.unitec.ac.nz/pop\\_ups/staffdetails.cfm?ID=5c6173e0-5e27-4173-80be-3469a1740555](http://www.unitec.ac.nz/pop_ups/staffdetails.cfm?ID=5c6173e0-5e27-4173-80be-3469a1740555)>.

Estonia”,<sup>368</sup> – the ‘PostsovkhoZ’ was an environmental art event collecting “sound and video performances, installations and exhibitions”.<sup>369</sup>

### **4.3. Operational Dimension: Estonia as a perspective ‘hub’ for New Zealand in the Baltics**

Arguably, the *100% Pure New Zealand* campaign<sup>370</sup> has been successfully sending a positive message about New Zealand for the last decade. As for Estonia, the importance of creating the country’s brand was recognised straight after the 2001 Eurovision Song Contest that Estonia won. Having become the first post-Soviet nation to top the final table of the popular and widely broadcasted musical contest, the Baltic state saw it as an opportunity to introduce itself globally.<sup>371</sup> The brand *Positively Transforming* was created in 2002 to be replaced by *Positively Surprising* eight years later<sup>372</sup> – the nation expressed its confidence to pleasantly surprise a tourist and an international business partner. In this context, the data that was generated from the aforementioned semi-structured and structured interviews will be of some help to conclude on whether or not the ‘positivism’ of Estonia’s ‘transformation’ actually ‘surprised’ the interviewees from New Zealand and the Baltic States.

#### **Question 3 – Appendix 1 (for New Zealand respondents):**

*If the answer to the second question is positive, which country of the three Baltic States can become such a ‘gateway’ for New Zealand in the region and why?*

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<sup>368</sup> ‘PostsovkhoZ 2003 in Mooste’ in *Estonian Review*, August 18 – 24, 2003. Available from <http://www.vm.ee/?q=en/node/3803>.

<sup>369</sup> ‘PostsovkhoZ 2003 in Mooste’.

<sup>370</sup> ‘100% Pure New Zealand’ in *The Tourism New Zealand Official web portal*. Available from <http://www.tourismnewzealand.com/campaigns>.

<sup>371</sup> Mandmets, p. 71.

<sup>372</sup> Mandmets, p. 73.

The number of respondents to this particular question was predictably lower if compared to the same data related to the previous two. It happened due to the third question's conditional nature, making it entirely depended on whether or not the answer to the second question was positive.

1. 78 per cent of respondents (15 individuals) opted to answer the question. Interestingly enough, this number also includes four of elite representatives who expressed different level of negativity to the idea of a New Zealand 'gateway' to the Baltics (second question), but still decided to elaborate on possible options as if the actual 'gateway' project became reality.

2. One respondent (student) gave no answer.

3. 53 per cent of the survey participants (10 people) regarded Estonia as a country that could become a 'gateway' for New Zealand in the Baltics. In this group, two individuals also mentioned Latvia and Lithuania, though making some restrictions to the cases.

By choosing Estonia as a strong contender to become a New Zealand 'hub' in the Baltic region, four of the respondents commented on Estonia's well-established *links to Finland and Scandinavia*. Arguably, this factor could be treated as a pattern. For example, an individual noted that Estonia "could feasibly serve as an additional gateway for New Zealand in the Scandinavian countries" (student). The other respondent stated that Estonia "bridges both Scandinavia and the Baltic States [that] could prove to be a good opportunity" (student). A comment was also made that "[b]ecause of Estonia's links with Finland [...] priority should be given to Tallinn" (elite). Favouring Estonia, a survey participant backed the answer with the existence of the Estonian "tie with Sweden" (student).

As for the next pattern, the *economical factor* was singled out by five individuals to frame it. The pre-recessional Estonian economy was prised with a number of

epithets: “the most advanced [among the Baltics]” (student), “strong and healthy [with] a booming ICT sector and a highly skilled labour force” (student) and “is doing extremely well” (elite). Additionally, an elite representative noted that Estonia “might have been a forerunner, [...] because it reformed its economic and political systems more quickly than [Latvia and Lithuania]”. The other respondent credited Estonia’s “economic openness and rapidly developing experience in trade” (elite).

The last of visible patterns generated by this segment of the survey was that the 26 per cent of survey participants or 33 per cent of those who gave their answers to the question (five respondents), expressed *no opinion on the subject*. Some of the typical responses within this trend were “not sure [...] – I have little knowledge of these countries” (student), “I do not know enough to answer” (student) and “I do not [have] sufficient information” (elite). At the same time, three of the five individuals (who admitted their lack of knowledge/information on the subject) came out with few thoughts on where New Zealand should establish its ‘gateway’ in the Baltic region. According to the latter suggestions, New Zealand should look for the “geographically central” country (student), or a country “with closest relationship and more similarity with New Zealand” (student), or “the closest to a New Zealand Embassy/one where New Zealand business links already exist” (student).

<i>Summary of Patterns</i>
Estonia is the choice as it has strong links to Finland and Scandinavia.
Estonia’s healthy economy is a key factor in choosing the Baltic country as a ‘gateway’ for New Zealand to the region.
Lack of knowledge or information on the issue.

**Question 4 – Appendix 1 (for New Zealand respondents):**

*What are advantages and disadvantages of considering/recommending Estonia to become such a ‘gateway’?*

This question was intended to go in-depth of the survey participants' actual knowledge about Estonia in the context of a possibility for the country to become a New Zealand 'gateway' to the Baltic region.

1. 79 per cent of interviewees (15 people) answered the question, often pointing on few factors from both advantageous and disadvantageous sides. Similarly to the previous segment of the survey, three respondents from the elite group, in spite of being negative to the 'gateway' project, opted to comment on Estonia's advantages and disadvantages as if it was chosen to become New Zealand's stronghold in the Baltics.

2. One respondent (student) gave no answer.

Commencing with the data that emphasised the advantageous side of the Estonian state, four individuals (21 per cent) noted Estonia's *achievements in the field of informational technology* such as "a very well developed wireless internet infrastructure" (student), "booming ICT" (student), "innovative use of IT" (elite) and "the development of its on-line facilities – the e-economy" (elite).

Framed by four respondent, the other pattern was based on the lot of *similarities* between Estonia and New Zealand, namely Estonia's "small population" (student), "clean government" (student), and closeness, together with New Zealand, "to the Western European development model" (student). Also, according to a respondent, "it would be easy to adjust to life in Estonia" for a New Zealander (student).

A number of *economical factors*, noted by three respondents, formed the next pattern. Estonia was perceived as an "economically, politically and socially advanced post-Soviet state" (student). Moreover, the country was associated with such important indicators as "strong economy, skilled labour force, [...], good infrastructure, [...] strong export industry [...], highly educated population"

(student). Lastly for this pattern, the other commentary was about Estonia's "progressive transformation of its economy" (elite).

The *linguistic side* of the issue was mentioned by five individuals (26 per cent). Two of them placed the language issue on the advantageous side as Estonia was described as a country with "widespread knowledge of English" (student) where the governmental "emphasis being placed on the learning of English" (elite). Very much on the contrary to the previous two statements, the other three respondents underscored the existence of "language barriers" (student), "difference in language skills" (student) and the fact that "not everyone [in Estonia] speaks English" (student).

Continuing with disadvantageous factors for Estonia in the context of a New Zealand 'hub' in the Baltics, four respondents (21 per cent of the total number of New Zealand respondents and 27 per cent of those who answered this question) commented on the current state of *Estonia-Russia relations*. One of the elite representatives saw potential negativity in "the strong tensions sometimes apparent between Estonia and Russia"; the other one noted the "still incomplete integration of [Estonia's] Russian-speaking community". The Estonian susceptibility to "Russian interference" was also noted along with the factor of "bad relation with Russia" (student). In addition, one commenter, while admitting his/her "limited knowledge of Estonia", pointed on "issue surrounding Russian citizens living in Estonia" as something that for some reason "could be politically dangerous for New Zealand relations with Russia" should New Zealand choose Estonia as its 'hub' in the Baltics (student).

The issue of physical *distance from New Zealand to Estonia* was featured in three answers. Placing the "distance between the two countries" on the disadvantageous side, a respondent associated it the "global awareness of 'green miles'" (student).

Another student pointed on Estonia’s “peripheral location”. The next survey participant based his answer on “a perception that [Estonia] is a long way away, hard to get to and very ‘foreign’” (elite).

The fact of Estonia’s small population was connected by two individuals with the size of *the country’s market*. In their answers, the two respondents named Estonian “small market” (student) and “small size and small domestic market” (elite) as disadvantageous factors in the context of the question.

Characteristically for this segment of the survey, a high number of individuals (five people or 26 per cent of all respondents) admitted their *lack of knowledge on Estonia-related issues*. Nevertheless, this factor was not a barrier for some of them to give their suggestions. As an example, a student emphasised the importance of such factors as “existing relations with New Zealand, size of economy and economic similarities to New Zealand” in the process of choosing a country to become a ‘hub’ for New Zealand in the Baltic States. For the other respondent, it was a hard task to differentiate Estonia from Latvia and Lithuania (student).

<i>Summary of advantageous Patterns</i>	<i>Summary of Disadvantageous Patterns</i>
E-Estonia	The bad state of Estonia-Russia relations
Estonia and New Zealand have plenty in common	Estonia is a small market
The Estonian economy is strong and advanced	Distance between New Zealand and Estonia
	Lack of knowledge about Estonia
The issue of communication (English language in Estonia)	



#### **Question 4 – Appendix 2 (for the Baltics):**

*If the answer to the third question is positive, which country from the three Baltic States can become such a ‘gateway’ and why?*

The main intention behind of asking this particular question was to get the interviewees’ opinions on the country of their choice and in the context of this study. Predictably, the vast majority of the survey participants would choose their native country. At the same time, there was a chance to see how broad the interviewees’ vision of their wider region as well.

1. 78 per cent of the survey participants (28 eight people) opted to answer the question (with 81 per cent, 79 per cent and 67 per cent correspondingly of Estonian, Lithuanian and Latvian groups).
2. One participant from the Latvian group had no time left to respond to the question.
3. A significant minority (28 per cent of those who answered this question or eight individuals) at least mentioned a Baltic country other than their own.
4. Three participants (two of them from Lithuania, one from Estonia) did not specify any of the Baltics, stating that each of the three has potential to become a New Zealand ‘gateway’ in the region.

It was possible to systematise a number of patterns from the answers. The factor of *location* was mentioned by eight individuals (three from the Latvian group and six – from the Estonian). Interestingly, three respondents from this group of nine contextualised this pattern with Estonia; the others specified it in connections to Latvia. For example, a Latvian student noted that his country “is in the middle of Baltic States”, adding about its capital Riga as “the biggest city in Baltic region”. Another representative of the Latvian studentship stated that his nation’s capital city is often called “as the capital of the Baltic States” and that “it is located in a very

opportune place – middle of the Baltics”. The factor of Latvia’s “central geographical location” was noticed by a survey participant from the Estonian side (elite). The same individual also underscored that “in some aspects Latvia is more international and global”, giving examples of McDonald’s and Coca-Cola, which established their regional headquarters in Riga. Identical sentiments were expressed by an Estonian student; in his opinion, Latvia “has been very often chosen as a ‘gateway’ to the Baltic market” primarily because of the country’s “central position in the Baltics”. Two respondents from the Estonian elite group elaborated on Riga’s status: one of them noted that the Latvian capital “is currently getting a lot of attention”, the other one pointed on Riga that is becoming a “choice of many foreign companies and organisations in the business world [...] because it is in the centre of the region”. Finally for this pattern, an Estonian student’s statement that his home country “has always been the crossing point of different trade routs due to [its] geographical location” was indirectly backed by two other expressions. A Latvian respondent saw positive signs in Estonia’s “proximity” to Scandinavia (student), and an Estonian elite representative saw his country’s advantages in “good connections by the sea, road, railway and air”.

The motif of *perspective, innovation and growth* was featured in thirteen answers. Descriptions of Lithuania as “a very perspective country”, “a growing country” and “a leading country in the region” were reinforced by the statement that it is “growing faster than other Baltic countries” (all are students, Lithuania). At the same time, a Latvian student noted that Estonia’s “economic situation has always been a bit better” and that it “has the highest comparative advantage in producing goods than the rest of the Baltic countries”. Another individual from the Lithuanian group took a unified approach by underlining that each of the three Baltics could become a New Zealand ‘hub’ in the region because “their economies [are] quite strong and have positive potential” (student). Estonia was described as “a country of innovation in a variety of fields” (student, Estonia) as well as an “interesting ground

and very good base for cooperation” (elite, Estonia). On the business theme, Lithuania was seen as a nation with “a lot of potential in business and entertainment fields” (student, Lithuania) and “biggest country with good business potential and political values” (student, Lithuania). Estonian respondents noted that their native land “seems to be the most innovative” (student) with “a very advanced business culture” (elite), “liberal business and tax conditions and [...] active and positive people” (elite).

The importance of *cultural compatibility* in the process of enhancing relationships with New Zealand was underscored by some of respondents from the Estonian group (four answers). For example, due to the fact that many Estonians had been able to speak Finnish and had “higher affiliation with Scandinavian countries”, the Estonian people had good understanding of the Western society through the so-called ‘illegal’ watching of the Finnish TV many years “before the iron curtain fell” (student). A representative from the elite group suggested that “culturally [for New Zealand] it would be easier” to establish its ‘gateway’ to the Baltics in Estonia. The factor of “closeness of the two nations, disregarding the issue of geographic proximity” was featured in the next commentary (elite). Estonia was also characterised as “the most open minded” country (student) that, together with Latvia, has got the “go-ahead attitude” (student).

The Baltic States’ advancement in the area of *information technology and communication* formed the last pattern of segment. Estonian and Latvia were credited for their “good internet and other net communication development” (student, Estonia). A respondent from the Lithuania elite group stated that, in her country, New Zealand will find “the best way to communicate”. It was also suggested that Estonia “have prominence in the areas of information and communication technology” (elite, Estonia).

It may come as a surprise, but the Lithuania's size that could supposedly be perceived as an advantage (both land and population wise) was mentioned in two answers only. In a significant addition, the state of interactions with the neighbouring Russian Federation was noted only once in this segment of the survey, contextualising it with Lithuania that, in the interviewee's opinion, enjoys "best relations with Russia out of the three" Baltics (elite, Lithuania).

<i>Summary of Patterns</i>
The location factor
Innovation and growth
Cultural compatibility
IT and communication

#### **4.4. Mini-conclusion**

The final chapter of the paper brought up a brief historical overview of New Zealand's interaction with Estonia. The long period of national suppression during the Nazi and Soviet occupations preconditioned Estonia's present choice to firmly position itself on the intergovernmental stage. The complications of the Soviet period – when it was hardly possible for a Kiwi to single Estonia out of the union of the Soviet republics – are in the past by now. The independent Estonian state has already become known globally because of its achievements – strong fiscal policy, flat taxation, IT advancements, success in regional development, forward-looking attitude and cultural compatibility with the Western world. A number of positive indicators (the SE's interactions with New Zealand business partners, possibilities for cooperation in genetic research and welcoming messages from the Baltic side) led to the argument that New Zealand would have no significant barriers in the process of introducing itself to the Baltics via Estonia, if it ever wanted to do so.

Encouragingly for the idea of the New Zealand ‘hub’ in the Baltics, the survey showed no signs of antagonistic behaviour towards each other expressed by the participants from the Baltic States. In general, both the elite representatives and the studentship of the Baltics had been more objective rather than subjective, while responding to the questionnaire. For example, the Latvian capital’s strategic location was never silenced by respondents from Estonia.

However, once again, the realism-originated factors played their roles to question the theoretical framework that was taken to be tested in the context of this chapter. The unfaded phenomenon of intergovernmentalism (it was suggested to be of some help for New Zealand to choose its ‘gateway’ in the Baltics) has not only been framing the strong geo-political silhouettes of the Baltic States. Also, it has paradoxically strengthened the EU (as a supranational entity and a single point of contact for New Zealand) and continental powers like Russia. The latter entity’s lucrative market – in spite of the Russian Federation’s alarming attitude towards democracy and the free press – is New Zealand’s *nouvelle* point of interest. In this case, the present status of Estonia’s relations with the world’s largest country is far from being considered as advantageous if contextualised with this paper’s topic.

At the same time, whilst the Baltics-New Zealand interactions are featuring the obvious lack of maturity, the concept of New Zealand’s ‘hub’ in the Baltic States has arguably got some potential to be investigated in the nearest future.

## 5. Conclusion

This paper was initiated to be a modest contribution to the development of European Studies in New Zealand. The appearance of the EU on the world's political map took Europe by surprise. The continent had still been experiencing painful 'aftershocks' from the dramatic collapse of another political union, the totalitarian Soviet communist empire, when the 'Maastricht Treaty on EU' was signed. For New Zealand, the massive supranational entity of the EU is primarily an economic partner and a cultural home. A sizable part of New Zealand's societal mosaic is European by birth, and majority of the New Zealand population have strong European roots. At the same time, the EU in its present form has only few similarities with its historical predecessors. Its enormous economic might is well-known and globally respected. Its recognisable political portrait is yet to be developed. The later factor represents an issue for countries like New Zealand – dealing with the world's biggest single market and largest political union of 27 Member States is not an easy task.

In the light of New Zealand's recent attempts to learn more about the EU's newest parts, this paper aimed to investigate avenues to improve the *status quo* in the area of political, business, scientific and person-to-person relations with the Baltic States. Estonia, Latvia and Lithuania are currently among the least known countries for New Zealanders. Only 99, 123 and 264 residents of New Zealand speak correspondingly Estonian, Lithuanian and Latvian languages (as compared, for example, to 37,509 of German speakers).<sup>373</sup> But the Baltic trio (together and separately) represent one of the core elements of the EU's contemporary political, economic and security frameworks. From 1990s, the Baltic States and Poland have become renowned worldwide for successfully tackling such a "constraining

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<sup>373</sup> '2006 New Zealand Census'.

ideological cliché as the ‘European East’”.<sup>374</sup> Some experts in the field have already argued that such a cliché is “no longer defensible”.<sup>375</sup> In 1999, the then newly elected Latvian President Vīķe-Freiberga, a scholar who spent significant time of her life working on scientific cooperation between Estonia, Latvia and Lithuania, noted:

[The Baltics] [...] have not only their geographical location, their geographical contiguity and the experience of the last half century in common. They also share a common set of values, attitudes and goals about where they are heading. These values and goals are remarkably coherent and well founded. They fit rather beautifully with where the rest of Europe is and wants to be going during the next century.<sup>376</sup>

Before proceeding further in the process of enhancing cooperation, this paper recommended, **firstly**, to test the actual necessity for New Zealand to be properly introduced to and promoted in the Baltics; **secondly**, to evaluate the idea for New Zealand to establish a formal or informal ‘hub’ in one of the Baltic States; and **thirdly**, to investigate a possibility for Estonia to become such a ‘hub’. Characteristically, the methodological ‘trident’, consisting of theoretical, structural and operational dimensions, was to be employed to answer each of the aforementioned research questions. The intention was to approach the process under study from the multidimensional perspective.

Due to the factor that the scholarly field of New Zealand interactions with the post-Soviet countries is among the least developed, the process of research on this dissertation’s topic was featured by the limited evidence. In order to overcome it, a high number of primary and secondary sources on similar interactions were gathered to obtain the data for this paper. From a variety of methods of data collection, the

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<sup>374</sup> Vernygora and Chaban, ‘An invisible giant’, p. 156.

<sup>375</sup> Paul Robert Magocsi, *A history of Ukraine* (University of Toronto Press, 1996), p. 13.

<sup>376</sup> Vīķe-Freiberga.

main emphasis was on semi-structural (in person) and structural (by e-mail) interviews with key informants from New Zealand and the Baltics. In July-August 2007, a trip to Estonia was made by author to conduct several interviews in Tallinn. Arguably, the final number of interviewees (especially, from the student group) was not high enough to carry a standard degree of representativeness. However, the quality of the elite sample – it included Ambassadors, a former Prime Minister, a former Minister of Foreign Affairs, a group of high-profile foreign policy makers, members of parliaments, business leaders and Honourary Consuls – was more than satisfactory.

## 5.1. Findings

This research had been implementing at a very specific time – the time of global economic recession that ruthlessly shook the postulates of globalisation. New Zealand, a developed country that represents the world's fifth biggest exclusive economic zone,<sup>377</sup> is still experiencing recessionary contractions. The Baltics were among the worst hit by the global economic downturn, with the Latvian economy having had to be bailed out. But paradoxically, the 'doom and gloom' moments reverted to a time of opportunities. On this background, the question on whether or not New Zealand needs to be better introduced to the EU's neophytes from the Baltic States is arguably becoming rhetorical. Pushed by the newest wave of functionalist vectors, the like-minded countries, including those that treasure values of liberalism, democracy and transparency, could easily challenge the difficult times with the common approach based on understanding the common needs. At the same time, the postulates of "theoretical logic" are certainly not the same as the factors of "historical and empirical probability".<sup>378</sup> In our case, the structural side of the need

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<sup>377</sup> Clark, 'New Zealand Foreign Policy'.

<sup>378</sup> Jeffrey C. Alexander, *Neofunctionalism and after* (Malden, Massachusetts; Oxford, England: Blackwell, 1998), p. 33.



to enhance cooperation is noticeably sporadic. The Baltics are very much aware of New Zealand and what it can offer, the New Zealand side is still in the process of learning about the eastern fringe of the EU. It was suggested that the factors of Estonia joining the EURO currency zone and the exclusive OECD club will play beneficial roles for the Baltics as a region – with immediate effect, the trio will likely to get a more pronounced characterisation in New Zealand then.

During the PM Clark era (1999-2008), New Zealand showed its proactive approach to the ever-present regionalism in Europe. Both Warsaw and Stockholm Embassies were established with a strong emphasis on learning about unique features of correspondingly Central-Eastern Europe and the Scandinavian world. As a step further in this direction, it was suggested for New Zealand to recognise the Baltics' strategic position in the EU and the regions undisputed achievements with the establishment of a regional 'hub'/'gateway' to deepen the knowledge about the Baltic States' potential. From the structural point of view New Zealand and the Baltics are very much ready to move onto the next level of cooperation. However, a number of realism-originated factors are re-adjusting strategic vectors. With the change of government (the National Party-led Government is in power from November 2008), New Zealand's approach in general is becoming even more 'thematic/regional'. The accent is apparently on the other regions thought. Minister Groser, a key strategist behind New Zealand's contemporary trading policy, noted that the 1973 enlargement of the EU's historic predecessor taught his country a priceless lesson – it could no longer afford “to be complacent”.<sup>379</sup> Minister Groser underscored that one of New Zealand's focuses at present is to make “a contribution to economic growth and social prosperity in [its] Asian neighbours”.<sup>380</sup> Thus it is not surprising to see no distinct European vector specified in the list of the New Zealand

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<sup>379</sup> Groser.

<sup>380</sup> Groser.

Government Priorities (shown in the ‘Statement of Intent: 2010-2013’).<sup>381</sup> Does it mean that New Zealand is already considering the EU’s market as a given? Or is it seriously counting on successful conclusion for the WTO Doha Round with the EU as a part of it? In the context of this paper, these questions, with necessity, need to be answered sooner rather than later. From the operational angle, the paradigm of cooperation between the Baltics and New Zealand is arguably lacking substance. The rather chaotic activity in trade receives no visible help from the educational (student exchange, scholarly collaboration), business development (New Zealand EXPO in the region) and public diplomacy sectors (sister cities). Moreover, for smaller countries like New Zealand, the question of ‘bottom line’ is extremely important in the process of interactions activation.

If New Zealand ever wanted to set up its formal or informal ‘hub’ in the Baltic States, the argument on Estonia as a location of the ‘hub’ would be easily validated. The smallest as well as the wealthiest from all of the Soviet titular republics, Estonia acted as an informal leader among the Baltics from the very beginning of the turbulent 1990s. It was Tallinn that, in May 1990, hosted leaders of Estonia, Latvia and Lithuania for their first of such meetings in fifty years; the summit eventuated with signing “a joint declaration renewing the Baltic Entente of 1934”.<sup>382</sup> In less than a year, during the dramatic time of the January 1991 crisis in the Lithuanian capital, the leader of the then democratic Russia Boris Yeltsin flew to Tallinn to join his counterparts from the Baltics in their appeal to the UN to intervene<sup>383</sup> and put pressure on the Soviet Government.

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<sup>381</sup> *New Zealand Ministry of Foreign Affairs and Trade official web portal*. Available from <<http://www.mfat.govt.nz/Media-and-publications/Publications/Statement-of-intent/0-strategic-direction.php>>.

<sup>382</sup> Hiden and Salmon, p. 165.

<sup>383</sup> Kirby, p. 434.

Estonia's current anticipation is to catch up with its powerful Nordic neighbours – Finland and Sweden.<sup>384</sup> As a forward-looking country and a Wester-style transparent democracy, it takes pride in delivering results and achieving goals. Considering what Estonia has already achieved in the recent time, its latest goal – to become one of Europe's wealthiest nations per capita in the next 15 years<sup>385</sup> – does not seem like an improbable science fiction. Evidently, the discovery of the Baltics via Estonia is a possibility for New Zealand. In September 2010, Minister Paet issued an invitation to his New Zealand counterpart to visit Estonia. He noted:

Estonia and New Zealand's soldiers are together on the mission in Afghanistan, so in addition to our bilateral relations we also have common goals internationally. [...] Estonia feels it is important to intensify relations between the European Union and New Zealand, as we partners who share the same values.<sup>386</sup>

There are, however, other types of indicators that are questioning the whole concept of a New Zealand 'hub' in the Baltics. Primarily, Estonia is an integral part of the EU. Having adopted and implemented more than 23,000 of the supranational union's regulations,<sup>387</sup> it will be harder and harder for the country to be seen on the intergovernmental stage for the longer period. For New Zealand, the main point of contact at the EU is extremely important – is it going to be shifting further towards Brussels or will New Zealand have to engage in discussions with all of the 27 Member States of the EU?

In general, the main methodological lesson learnt in the process of conducting this research work was the need of using realism-originated vectors in validating the paper's theoretical framework. Despite the concept of the New Zealand 'gateway' to the Baltic States has potential, the Baltics-New Zealand interactions are featuring

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<sup>384</sup> Landler.

<sup>385</sup> Pallum, interview.

<sup>386</sup> 'Foreign Minister Paet met with colleagues from New Zealand and Tunisia'.

<sup>387</sup> Ivar Raig, 'Estonia's possibilities to reform EU economic policy and raise the competitiveness of the EU economy' in *Proceedings of Audentes University* (Audentes University Foundation: Tallinn, 2005), p. 161.

the obvious lack of maturity at the moment. Ironically, the sporadic character of contacts makes every visit of a high-profile politician from the Baltic States a mega-event. Back in February 2006, the then New Zealand PM Helen Clark described the Lithuanian President Adamkus' visit to the country as "historic".<sup>388</sup> The same rhetoric was used during the visit of the Estonian Foreign Minister Paet.<sup>389</sup> It is also true, too, that there is only a small capacity for the two sides to engage.

## 5.2. Where to from here?

In the context of this paper's research questions, the 'top-down' strategic reasoning will have to overcome a number of stumbling blocks from the New Zealand side. Instead, the 'bottom-up' approach that could generate a high number of micro-successes should with necessity lead towards enhancing cooperation between the two parties, presenting the final result as a *fait accompli*. In this process, one should not forget about but rather appreciate the positive messages coming from the Baltic States. As Sutter noted:

[T]here are many more things [rather] than just efficient farming to learn from New Zealand. One should not be afraid of a distance as we were in the first place. Actually, this cooperation works better than very often inside the EU. Even transportation cost from New Zealand was very reasonable and did not make the products much more expensive to our market. Also, people I have met up to now are very friendly and easy communicating. Nice experience!<sup>390</sup>

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<sup>388</sup> 'Lithuanian President to visit New Zealand' in *The Official web portal of the New Zealand Government*. Available from <<http://beehive.govt.nz/node/24968>>.

<sup>389</sup> 'Visit by Estonian Foreign Minister' in *New Zealand Ministry of Foreign Affairs and Trade official web portal*, April 2009. Available from <<http://www.mfat.govt.nz/Foreign-Relations/Europe/index.php>>.

<sup>390</sup> Sutter, e-mail to author.

The outstanding role of New Zealand academia in the process of developing the field of European Studies should also open up a number of avenues for the South Pacific nation discovering the EU-27. For example, the European Commission has already noted the effectiveness of New Zealand scholars in developing European integration studies at the University of Canterbury and “creating a dynamic research team” at the NCRE.<sup>391</sup> A matrix for the dialogue is getting formed, the substance should come with the time.

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<sup>391</sup> ‘Professor Martin Holland’ in *Jean Monnet: Success Stories – Europe for lifelong learning*.

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# **Appendix 1**

## **Questionnaire for New Zealand respondents**

### **Question 1:**

Is it necessary for New Zealand to promote its image, business interests, scientific achievements and political values in the Baltic States, one of the newest parts of the European Union?

### **Question 2:**

Does an idea to choose one of the three Baltic States as a 'gateway' for promoting New Zealand image, business interests, scientific achievements and political values in the Baltics have a perspective?

### **Question 3:**

If the answer to the second question is positive, which country of the three Baltic States can become such a 'gateway' for New Zealand in the region and why?

### **Question 4:**

What are advantages and disadvantages of considering/recommending Estonia to become to become such a 'gateway'?

## **Appendix 2**

### **Questionnaire for respondents from the Baltics States**

#### **Question 1:**

Considering the recent changes in Central-Eastern Europe (the EU enlargements, the ‘coloured’ revolutions in Georgia and Ukraine, the establishment of the Community of Democratic Choice), what is the role of the Estonian/Latvian/Lithuanian state in this process?

#### **Question 2:**

Would you think that New Zealand has chances to be welcomed by both elites and the public in the Baltic region (particularly in Estonia/Latvia/Lithuania) as a potential high-scale partner of the Baltic States?

#### **Question 3:**

Does an idea to choose one of the three Baltic States as a ‘gateway’ for promoting New Zealand business potential, democratic values and scientific achievements in the Baltics have a perspective? If ‘yes’, is there a chance to have a reverse effect – when your region will choose New Zealand for the same reason?

#### **Question 4:**

If the answer to the third question is positive, which country of the three Baltic States can become such a ‘gateway’ and why?



## Appendix 3

### List of the elite group – survey participants

Country/Name	Position at the time of interview	Location of interviewee	Contacted by
<b>New Zealand</b>			
Peter Townsend	Chief Executive, Canterbury Employer's Chamber of Commerce	Christchurch, New Zealand	Phone, e-mail
Wayne Mapp	Deputy Chairperson, Foreign Affairs, Defence and Trade Committee, New Zealand Parliament	Wellington, New Zealand	E-mail
Christine Spahn	Market Development Manager – Central Eastern Europe, New Zealand Trade and Enterprise	Hamburg, Germany	E-mail
Wende Ward	Director, Prattley Industries	Timaru, New Zealand	Phone, e-mail
Gerald McGhie	Former New Zealand Ambassador to the USSR	Wellington, New Zealand	Phone, e-mail
John Larkindale	High Commissioner for New Zealand in Australia (former New Zealand Ambassador in Estonia, Latvia and Lithuania)	Canberra, Australia	E-mail
Ian Brownlie	Europe Division, New Zealand Ministry of Foreign Affairs and Trade	Wellington, New Zealand	E-mail
Penelope Ridings	New Zealand Ambassador to Poland, Estonia, Latvia and Lithuania	Warsaw, Poland	E-mail
<b>Latvia</b>			
Indulis Bērziņš	Ambassador of the Republic of Latvia to the UK, Australia and New Zealand (former Latvian Minister of Foreign Affairs)	London, United Kingdom	In person interview (conducted in Christchurch)
Margarita Bentley	Honourary Consul of the Republic of Latvia in Auckland	Auckland, New Zealand	Phone, e-mail
<b>Lithuania</b>			
Diana Mickevičienė	Director, Asia Pacific Division, Ministry of Foreign Affairs of the Republic of Lithuania	Vilnius, Lithuania	Phone, e-mail
Ramunė Visockytė	Chairman, Group of Interparliamentary Relations	Vilnius, Lithuania	E-mail

	with the Commonwealth of Australia and New Zealand-Aotearoa		
<b>Estonia</b>			
Hando Sutter	Director, Saaremaa Eco Village	Tallinn, Estonia	Skype, e-mail
Allar Korjas	Director, Business Development Division, Enterprise Estonia	Tallinn, Estonia	E-mail
Taavi Aas	Deputy Mayor of Tallinn	Tallinn, Estonia	In person interview conducted in Tallinn
Siim Raie	Director General, Estonian Chamber of Commerce	Tallinn, Estonia	In person interview conducted in Tallinn
Priit Pallum	Director General, External Economic and Development Cooperation Department, Ministry of Foreign Affairs of Estonia	Tallinn, Estonia	In person interview conducted in Tallinn
Marko Mihkelson	Chairman, EU Affairs Committee, Parliament of Estonia	Tallinn, Estonia	In person interview conducted in Tallinn
Mart Laar	MP, Parliament of Estonia (former Prime Minister of the Republic of Estonia)	Tallinn, Estonia	E-mail
Tõnu Looorpärg	Honourary Consul of the Republic of Estonia in Wellington	Wellington, New Zealand	Skype, phone, e-mail
Peeter Miller	Ambassador of the Republic of Estonia in Japan, Australia and New Zealand	Tokyo, Japan	E-mail
Marek Tiits	Chairman of the Board, Institute of Baltic Studies	Tallinn, Estonia	E-mail