

## **Resilience — a big picture**

Organisational Effectiveness in Times of Seismic Risk

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I have no knowledge of earthquakes or seismology or the engineering and codes which enable us to survive them. I marvel at different tectonics, those of geopolitics and geo-economics and demographics and technology and resources and rummage amidst the debris of ideas shaken loose by those tremors.

Both sorts of tectonic activity change their respective landscapes. Both are harmful to some humans, the former physically, psychologically and financially, the latter through the loss of jobs and income and self-respect and confidence.

Both require resilience to see them through and, afterwards, to recover equilibrium and prosperity. Both can result in better landscapes than before the disturbance.

Resilience, I think, is the interplay of a strong, secure core, which can withstand shocks, and enveloping material that is flexible, elastic, compressible and adaptable, which enables a person or firm or nation to absorb and adjust and adapt to the shocks. This is New Zealand's need now.

Resilience was Aotearoa's need after 1840 when the colonisers, having signed a power-sharing deal, then bargained for, purloined or confiscated land and, with land, power. Iwi and hapu proved resilient enough, though only just, to survive the many decades when all but memories seemed lost until the time in the late 1970s when they could begin to recover culture, heritage and a degree of self-determining power.

New Zealand for a century after 1840, first as colony, then dominion, was flexible, adaptable and inventive in developing a viable economy and a unique social policy anchored to a core, which was the mother country. That core arrangement became impractical after about 1960. Since then in Aotearoa-New Zealand -- I use the two names because I am not sure we are one -- we have been discussing, debating, arguing and legislating the core without settling it. What we have done is remould and re-engineer the envelope: the economy is now able to adjust under the impact of external and internal shocks more successfully and less painfully than in the past; and we have a foreign and security policy stance that has enabled us (so far) to navigate without mishap the global tectonic shift in economic and political power.

The economy has the advantage that exports are based principally on products and services for which demand can be expected to grow as the "great convergence" proceeds and hundreds of millions more in what used to be or still are poor nation-states join the global middle class and so are able to afford and demand fresh/safe/natural food and fibre and recreation which are, or should be, this economy's enduring strength, given the abundance of water, energy sources and space.

But that advantage is not an immutable given. To make the most of it over time we will need constantly to innovate and to reset policy to facilitate or promote an innovative capacity and so innovation, so that earned incomes rise through higher-value activities.

If we don't do that successfully we will be more vulnerable to the globalisation of labour and

talent and to the congregation of elites in certain offshore cities and locations. We would, as now, need to import human and financial capital to compensate for those who leave and that is a potential cost to social harmony which is a core ingredient in economic success. If we are to be resilient through the next 15 or 30 years, we could usefully start now to think through the policy frameworks we will need to perceive, develop and exploit human potential.

One part of that thinking through is superannuation and health -- that is, ministering to the old (probably redefined) while not overburdening the young and constricting opportunity. If we don't work out how to do that well we can expect the generation-Ys to leave. That would weaken the core and render it less capable of withstanding shocks.

To that issue of chronological equity can be added one of embedded inequalities of access to opportunity which have greatly increased in the past 30 years. Unless there are genuine pathways of socioeconomic mobility which ameliorate inequalities, those inequalities will weaken the core. In fact, I think they have.

And we need to sort out what we mean by being "bicultural" and whether it strengthens or weakens the core. The policy presumption of the past 25 years is that it strengthens the core but it can also be argued that it has the opposite effect. Over the next 10 years or at the most over the next generation we need to resolve that uncertainty.

That is, we need to agree what our core now is and secure it.

We need a strong core to be secure in the new world order that will emerge from the seismic shifts in geopolitics and geo-economics. No one yet knows what that new order will be. But it is a reasonable guess that a G2 world is unlikely: if the United States and China set out to make the big decisions -- on climate change, for example -- second-order countries would likely obstruct them, if only to assert themselves. The G2 looks more a negative than a positive: by that I mean that without the United States and China big initiatives will fail. The G20 can't yet turn words in to action, is too broad, as the membership of tiddler countries like South Africa and Australia indicate, and anyway is still too much a hangover of the G7/G8 world. More likely over time New Zealand, as a fourth-order country, will find itself, as will second-order and third-order countries, navigating a world of five large entities: China, India, the United States, Europe and ASEAN. (That last is a guess. Whether there really can be an ASEAN bloc will probably not be knowable until 2020 or later.)

How do we fit? Our relationship with Europe is good, built on heritage. Our relationship with the United States is good again (though could fast deteriorate if there is a Tea Party president and/or the Tea Party makes more gains in the Congress). We were accepted with alacrity into the "Asian" side of the Asia-Europe (ASEM) talks. Our relationship with China is interesting but still formative and we don't underpin it with the study of Chinese history, heritage and language, so we fear the Chinese more than we welcome them; we need to change that fast (but almost certainly won't). Our relationship with India is formative but based on shared goodwill, though we take too much for granted from cricket and our shared (though different) imperial history and don't study Indian history, heritage and language. Our relationship with ASEAN will in part depend on how we team, or not, with Australia in building connections with and into ASEAN.

In those international connections we need, in addition to a strong core, an intelligent flexibility. That is because power will shift among the five, often in unpredicted and

sometimes in sudden ways. Managing foreign policy, including trade policy, over the next 15 or 30 years is going to require suppleness and skill. It might also drive us close in to Australia (and vice-versa) but it is far too early to guess at that.

One potential destabiliser of this emerging world order is access to resources: petroleum and coal, water, minerals. We have lots of water, food production capacity, renewable energy resources and coal, some minerals and, from about 2025, a fair amount of petroleum, (plus strong institutions, a good education system and an inventive, adaptive and liberal population). Making the most of our resource advantages requires active investment now but in the meantime our dependence on imported petroleum and imported goods and services leaves us highly vulnerable and may periodically test our resilience.

Then there are man-made and natural shocks. The Rena incident reminds us that it is not only tectonic plates that jolt and holes in the ground that go on fire. At one level there has been a failure of foresight in not updating our subscription to international conventions. That is a failure to keep the enveloping materials in top condition. At another level the backbiting and anger in the media and among residents reflect a corrosive lack of trust in authorities which undermines effective governance and management. That suggests the core is not solid and there is work to do.

If you doubt that work is needed, wait for the debt crisis to wash up here. Europe's mess is more of a problem for us than it needed to be because loose policy in the Beehive, Treasury and Reserve Bank encouraged households to pile up a mountain of debt to foreigners. A core value was jettisoned for a binge. That, too, suggests doubts about how strong the core is and consequently our capacity to deal with shocks.

The flexible, elastic, compressible and adaptable envelope is mostly in place, as the country's relatively light damage from the great financial crisis indicates, though there is work to do on domestic economic policy and there is other maintenance work needed, as the inadequacy of safety measures at Pike River, the leaky regulatory environment which allowed leaky homes to be built, the permits to build houses in areas of Christchurch known to be at risk of liquefaction and the failure to update maritime disaster conventions indicate.

And there is work to do on the core. Who are we? We don't quite know that and until we do our resilience will be in doubt.

That brings us back to Christchurch and earthquakes. There is a parallel between the mentality needed to prepare for and manage the effect of big national challenges and shocks that come from offshore and those that nature poses for us at home. They are both national matters and we need a national way of attending to them.