



2023

NEW ZEALAND COUNTRY RISK REPORT

GLOBAL RISK CONSULTING GROUP
JANUARY 2023

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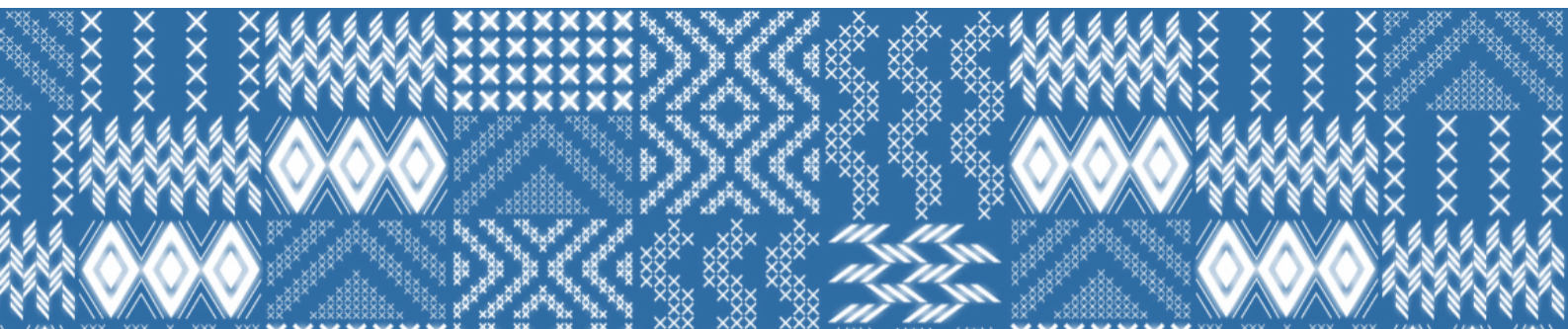
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1. PREFACE

It has become almost cliché to mention the ‘uncertain times’ in which we are living. Commentators and policy makers have become accustomed to talking about our current risk landscape as being ‘unprecedented’, ‘unchartered’ and characterised by ‘black swans’, ‘extreme events’, and ‘wicked problems’. And while there is an almost unanimous perception that we face greater risks than what may have been the case, for example, prior to the outbreak of COVID-19, there is less understanding of what that means for our communities and the people who inhabit them.

2023 GRC Group New Zealand Country Risk Report presents Global Risk Consulting Group’s thinking around what’s driving the risks New Zealanders face and what hazards New Zealanders can expect to be exposed to as a result (based on what we’ve seen in 2022).

While guided by ISO 31000 thinking, our approach is a little different. We use the GRC *Hazard Layer Model* to understand how our communities experience insecurity, and the myriad ways in which our whanau (families) and tangata (people) are exposed to the hazards around them.



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Hazard: A process, phenomenon or human activity that may cause loss of life, injury or other health impacts, property damage, social and economic disruption, or environmental degradation.

Understanding that Aotearoa - New Zealand is a small state increasingly vulnerable to the vicissitudes of international security, the global economy, transnational crime and a range of ‘borderless’ threats, we then identify the *Macro Risk Drivers* that give rise to the threats we face. Ultimately, once we know the drivers, we can discern trends and engage in futures analysis.

Our analysis by no means purports to answer all questions in relation to New Zealand’s risk profile, but we do hope that it delivers useful evidence-based insights to inform your understanding of the hazard landscape. Ultimately, it has been our intent to present an authoritative analysis informed by international thinking and a uniquely New Zealand perspective, and we hope you find it to be of value.



secintel



safehome



Manaaki CMS



GRC Group
 Systems

2. METHODOLOGY

2.1. Introducing our approach

2022 GRC New Zealand Risk Report identifies security risks to New Zealand and their implications for New Zealanders via a genealogical identification of a limited number of drivers of risk, which we refer to as *Macro Risk Drivers* (MRD).

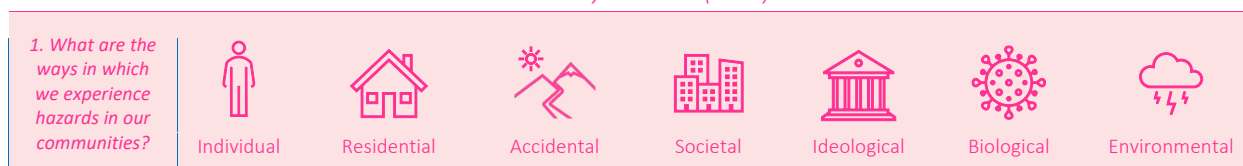
The GRC *Hazard Layer Model* (HLM) is a framework for understanding how these often distant sources of risk can manifest harmfully within the spaces in which we operate – from our homes to our streets, to our society, the environment around us, and to the air we breathe. Local hazard events, such as crimes, acts of hate, cyberattacks, floods and Covid infections, provide us with the datapoints that underpin an evidence-based risk analysis.

We map these hazard events to traditional hazard/threat categories. Doing so provides us with a thematic basis upon which to then analyse the extent to which the ‘dangerousness’ of these threats are influenced by one or more macro ‘drivers’.

The below diagram charts our logic, which is based on the following sequential questions:

1. What are the ways in which we experience hazards in our communities? [*Hazard Layer Model*];
2. What traditional hazard/threat categories do these hazard events fall into? [*Hazard/Threat Categories*]; and
3. What are the underlying factors making these hazards/threats more (or less) dangerous to us? [*Macro Risk Drivers*]

Hazard Layer Model (HLM)



Hazard/Threat Categories



Macro Risk Drivers (MRD)



2.2. Hazard Layer Model (HLM)

1. INDIVIDUAL	2. RESIDENTIAL	3. ACCIDENTAL	4. SOCIETAL	5. IDEOLOGICAL	6. BIOLOGICAL	7. ENVIRONMENTAL
The individual	At Home	Out and about	In the Community	On the Agenda	In the Air	In the Environment
Perceptions of insecurity Sense of wellbeing Identity and belonging Social isolation Mental health issues Physical health issues	Basic needs deficit Living standards deficit Deprivation Family harm	Transport incidents Workplace Health & Safety Water safety incidents Misadventure	Violent crime acts Non-violent crime acts Security incidents Cyberattack Antisocial behaviours Workplace bullying	Hate, Violent extremism Dis-misinformation Political violence Terrorist acts Social unrest Espionage, interference	Public health incidents Epidemics, Pandemics Biosecurity incidents Food contamination Enviro. contamination	Climatic events Hydrological events Geological events Climate Change and its consequences

The hazards that the aforementioned *Macro Risk Drivers* ultimately give rise to within our communities – and how they might impact on members of our communities – are illustrated by the GRC *Hazard Layer Model* (HLM).

The HLM considers the hazard-scape in terms of seven interlinked hazard ‘layers’. Although these layers bear some similarities with security and resilience categories found in the UN ‘Human Security’ model, the New Zealand Government ‘all hazards’ approach, and the NZ NEMA ‘Model of a Resilient Nation’, they are a unique *layering* (as opposed to a *categorisation*) of hazard spaces from the perspective of the individual.

As individuals, we inhabit multiple spaces, from our homes to our towns and workplaces, to the natural environment around us, and our individual experience of these spaces and the hazards we might be exposed to in these spaces is unique. For some, the home might be the space of greatest hazard exposure due to family harm or a lack of basic life necessities, while for others, the prevalence of retail crime in their community may present a disproportionate exposure.

The HLM facilitates a local, data-driven understanding of the multi-layered individual implications of the big threats.

The seven hazard layers of the HLM are:

1. Individual

In or of the person, including perceptions of insecurity, mental and physical health issues, issues of identity and belonging.

2. Residential

Within the home, including inadequate living conditions, deprivation, parental neglect, and family harm.

3. Accidental

Misadventure at work and at play, including transport, water safety, and workplace health and safety incidents.

4. Societal

Within the community, including antisocial behaviours, crime, cybercrime, bullying, and harassment.

5. Ideological

Within public discourse, including mis/dis-information, identity or ideologically motivated hate, political violence, terrorism, espionage and foreign interference.

6. Biological

Within our air or food chains, including epidemics, pandemics, and other public health incidents, contamination and biosecurity incidents.

7. Environmental

In the environment, including extreme climatic, hydrological, and geological events, and the effects of climate change.

2.3. Macro Risk Drivers (MRD)

The hazards analysed in this report relate to a wide variety of societal dynamics, actors, timeframes, realised or potential impacts, technologies, industries, and communities.

These challenges are complex and interconnected and are often referred to as ‘wicked problems’; problems that seem extraordinarily difficult or impossible to solve due to incomplete or contradictory information, constantly changing requirements, no clear solution or ‘stopping point’, and that when tackled typically produce more questions than answers.

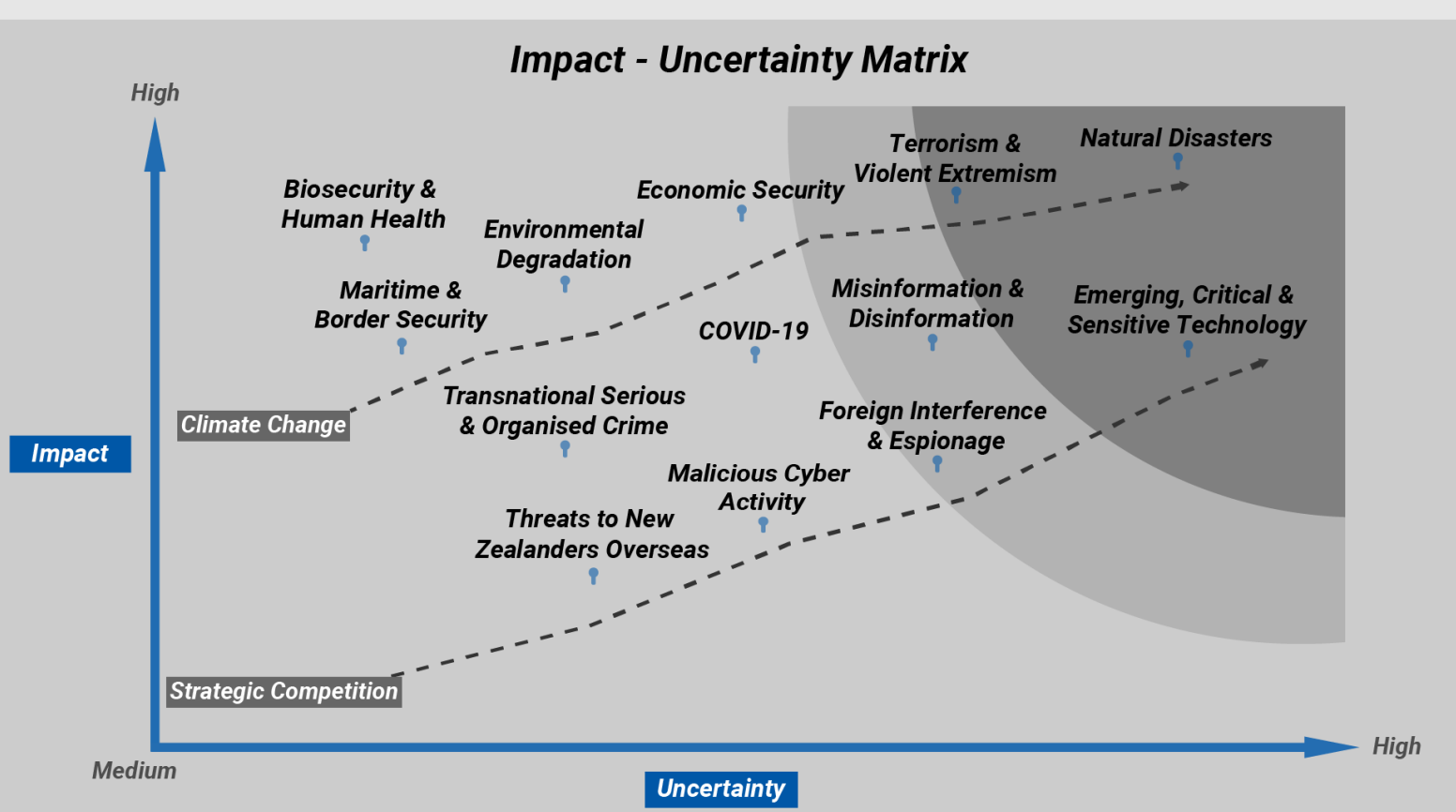
Our analysis of the hazards New Zealanders faced in 2022 and are likely to face in 2023, undertaken in accordance with the methodology summarised on Page 4, led us to identify three primary drivers that are influencing the level of ‘danger’ that these hazards present. They are:

1. Climate change
2. Strategic competition, and
3. COVID-19

Identifying the macro-level drivers that connect and enliven the hazards we face enables us to see trends and engage in strategic foresight so that we may understand how to more effectively mitigate against current and emerging threats.

The below ‘Impact-Uncertainty Matrix’ plots the hazards associated with the Macro Risk Drivers of Climate Change and Strategic Competition. In the case of the former, we see that climate change is a significant driver of hazards as diverse as biosecurity threats, maritime and border insecurity, violent extremism and terrorism, and natural disasters. Understanding this provides us with a basis for forecasting how climate change will likely shape these threats into the future.

In the following three pages we introduce the three MRDs in further detail, using what we know of these international trends to paint a picture of the types of associated hazards New Zealanders may be exposed to in the next dozen or so years.



2.3.1. Climate change

Climate change is the most wide-ranging driver in its influence and impacts on society. It is driving ecosystem degradation, extreme weather events, biological and health threats, economic security, a plethora of natural disaster risks, trends in property investment, divestment and insurance, critical infrastructure vulnerabilities, maritime security, search and rescue, emerging violent extremist ideologies, and more. The second-order impacts and deeper flow-on effects of this on New Zealand society are largely unpredictable and immeasurable. However, we can harness data, technology, and expert analysis to assess these risks and make informed, ground-level management decisions.

What could Climate Change look like in the year 2035?

In 2035, the effects of climate change are being felt acutely by New Zealanders. Between December and April each year the prices of fruit and vegetables rise sharply as regular storms and tropical cyclones decimate traditional agricultural land. The adoption of vertical farming technology is lagging behind other comparable countries due to the influence of powerful agricultural lobbying, but industry experts predict a mood change over the next twelve months. More extreme temperature fluctuations

and weather events have triggered significant biodiversity loss, and Kiwis reminisce on enjoying whitebait, a species that went extinct eight years ago. Increasing intensity of the La Niña marine heatwave has brought sharks closer to the shore and many popular beaches host warning signs throughout summer.

Fortunes have been lost on coastal real estate as rising sea levels and erosion have made many sites uninhabitable. Government investment in mitigating infrastructure such as sea walls was too little, too late. The insurance industry adapted by declaring most low-lying coastal properties uninsurable in 2027, and migration inland has put strain on existing critical infrastructure. Freight and road trips are increasingly arduous as coastal roads and rail lines experience frequent closure due to storm surges and flooding, and inland state highways struggle to service the traffic volume.

This year saw the fifth major act of eco-terrorism in New Zealand history in which the natural gas Tank Farm in Omata, Taranaki, was severely damaged when environmental violent extremists dropped IED's from drones, killing three and injuring five more. Fortunately, however, the large government investments in new wind farms in the late 2020's are paying dividends by reducing strain on the electricity grid, and more than making up for the lack of hydro generation which is increasingly unreliable every summer as drought conditions become more severe.

The second-order impacts and deeper flow-on effects of climate change on New Zealand society are largely unpredictable and immeasurable.



2.3.2. Strategic competition

Geopolitical tensions and strategic competition between nations is a driver of some key risks to New Zealand. It is a driver of foreign interference, espionage, economic security, cyber-attacks, disinformation, political and economic influence, acquisition of sensitive research and development, rising non-state or state-sponsored actors, undermining of democracy, and more. Foreign interference is emerging as a particularly effective tool of statecraft that exploits existing social and political divisions, gaps in legislation, and lack of due diligence assessments to harm New Zealand's interests.

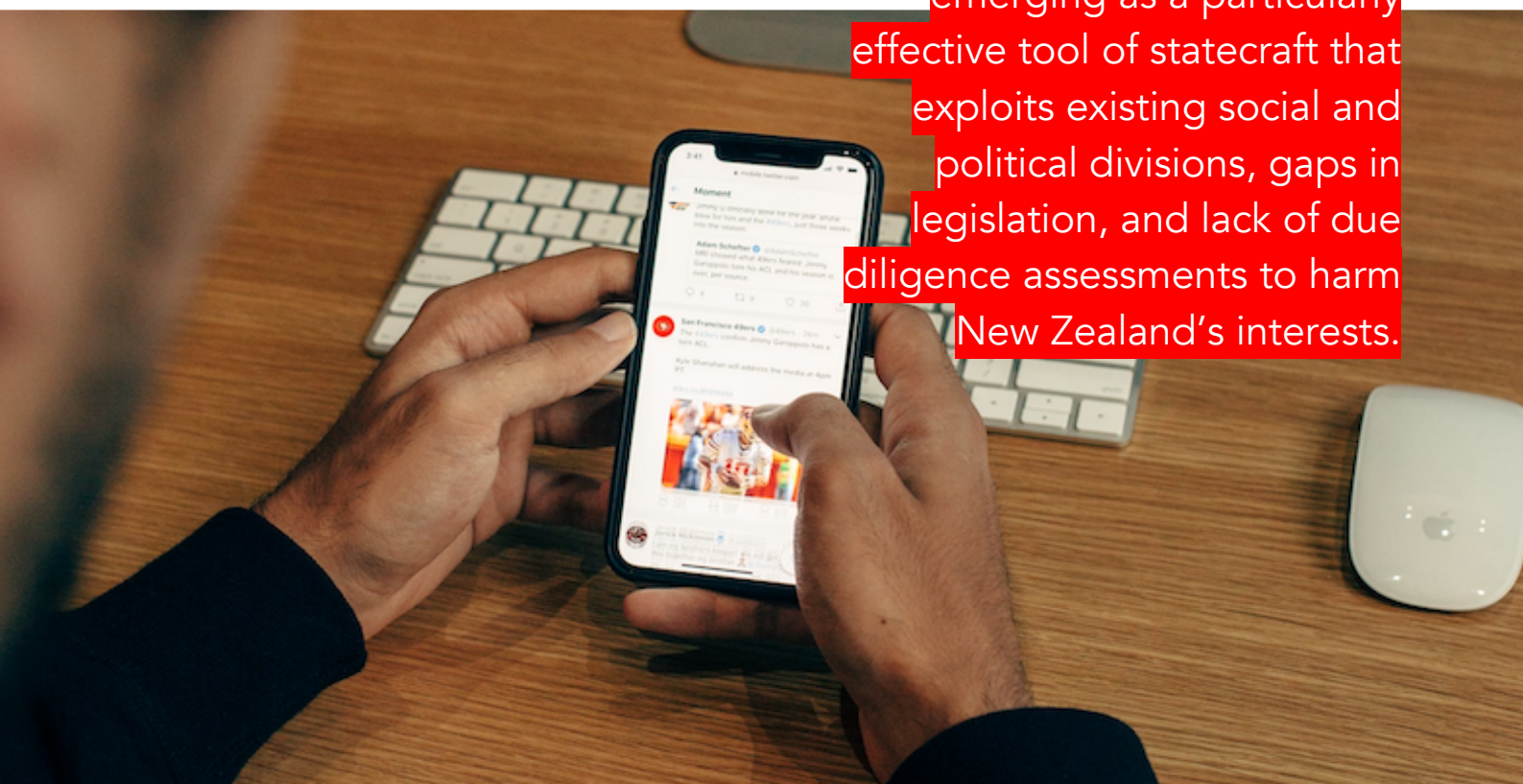
What could Foreign Interference look like in the year 2025?

In 2025 the effects of foreign interference have become more entrenched and enduring in New Zealand society. The efficacy of intentionally spreading disinformation and fringe ideologies to fracture social cohesion was proven during the COVID-19 pandemic, and several foreign states conduct ongoing, comprehensive influence operations. Kiwis today find it increasingly difficult to determine the source of information and trust in mainstream media outlets has reached an all-time low.

Fuelling of fringe anti-authority and conspiracy groups by overseas agents has expanded from disinformation to funding and equipment to carry out disruptive activities designed to consume police, media, and political resources. Members of these groups receive this indirectly through proxies and remain unaware that they are targets of foreign interference. Several new fringe political parties that emerged in 2022 have expanded their voter base and are expected to put forward council members and mayoral candidates, with political commentators predicting that they could see success in smaller rural electorates.

Cyber-attacks have reached new levels of sophistication and government agencies, critical services, and large businesses experience frequent security breaches and data theft. While the government has bolstered its cybersecurity capabilities, alongside public awareness campaigns about cyber threats, New Zealand is still seen by competitor states as an easy target in this domain. As artificial intelligence and other emerging, sensitive, and critical technologies find utility in statecraft and strategic competition, foreign actors have scaled up operations to acquire and appropriate Kiwi scientists' intellectual property. With no signs of easing off, foreign interference has become a top priority for intelligence agencies and policy makers.

Foreign interference is emerging as a particularly effective tool of statecraft that exploits existing social and political divisions, gaps in legislation, and lack of due diligence assessments to harm New Zealand's interests.



2.3.3. COVID-19

The pandemic has accentuated inequalities in New Zealand society and exposed the fragility of various economic structures while ushering in a new era of disinformation and social division. COVID-19 is a driver of social unrest, crime, waning trust in the government and the media, misinformation and disinformation, trends in goods and services consumption, public health outcomes, fringe groups, extremism, shifts in political beliefs, unstable markets, economic downturn, and more. While several of the larger structural impacts of COVID-19, such as those on the economy or the future of work, will be tackled by policy makers for years to come we still have immediate health and security risks to New Zealanders that we can and must act to mitigate now.

COVID-19 is a driver of social unrest, crime, waning trust in the government and the media, misinformation and disinformation, fringe groups, extremism, shifts in political beliefs, unstable markets, economic downturn, and more.

