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Diary from New Zealand

Reflections and observations from a roundtrip in November 2010

Thursday, November 11

I checked out from my hotel in Sydney (Radisson) just after six in the morning today and took a taxi to the airport. I was booked for Auckland, New Zealand's largest city, the plane would go at 10 o'clock. For the return journey from New Zealand, I had no ticket, I felt I would have plenty of time to fix it when I arrived since I had planned to stay at least for two weeks. It wasn't that clever. The New Zealand immigration authorities require that a person traveling on a tourist visa to the country have to present a ticket for his return already on entry. I received that information first when I arrived at check-in desk so I had to turn around to try to buy a ticket. After some trouble, I could present a ticket for the return trip. I'm booked to fly from Christchurch on Sunday November 28th. We'll see how it goes.

We arrived in Auckland a bit late, at half past three in the afternoon. The actual flight time is three hours but one has to add a two-hour time difference so if you look at the clock, the trip takes five hours. The time difference between New Zealand and Sweden is twelve hours.

There wasn't much more done on this day than to get into Auckland from the airport, check in at pre-booked Best Western President (which turned out to be as absolutely central as you could wish, very close to main street, Queen Street), have a bite to eat and take a short walk around downtown. This completely random walk led me to an experience that I hadn't expected in Auckland, after all Auckland isn't a huge city (the city has about 1.5 million inhabitants). I found an extraordinary bookstore, Border on Queen Street. It's a bookstore of the kind that you may encounter in certain big cities, in London or in New York, where the supply of books is impressive, the service the best possible and where there are plenty of places to sit and read or just take a cup of coffee. A kind of commercial oasis. Border proved to be such a place. I spent probably a couple of hours there.

I couldn't help seeing that Stieg Larsson's Millennium trilogy is very popular also in New Zealand. (In Australia, his books were on the bestseller list.) All of his books were on the bestseller shelf, and in large quantities, suggesting that sales were good. I could note that there were also some other Swedish authors of recently published books on the shelves, all in the tray "Crime". I saw books by Henning Mankell, Håkan Nesser, and Liza Marklund.

Friday, 12 November

Auckland is a very beautiful city. It's surrounded by water, especially towards the east, in the harbor the water comes right into the center of the city. It's hilly, a bit reminiscent of San Francisco (even though the streets are not as steep), also of

Stockholm. In the background, to the east towards the Pacific Ocean, you can see shimmering blue mountains, they are pointed as they are formed by volcanic eruptions far back in time. Overall, it's an extraordinary experience of beauty.

Auckland shows also a kind of self-assurance, perhaps that explains why I spontaneously like the city. I read in *NZHerald*, New Zealand's largest daily newspaper, that a majority of those who live here think that Auckland should be the capital of New Zealand. Wellington, the official capital, is looked upon as a bit of a country cousin which for political reasons was given its status.

You don't have to spend many hours in Auckland to apprehend two things. First, it's the Asians who dominate the city. You see a lot of Chinese, Indians, Koreans and other Asians in the streets. But they are also shop attendants, museum guides, taxi drivers etc. Secondly, they are very young. This phenomenon should without doubt have consequences in the long run.

I have absolutely no statistical evidence for the hypothesis that it's only a matter of time before New Zealand, this super-Anglo-Saxon country, will become Asian. By that I mean that the majority of the population, and eventually the political and economic power, will rest with naturalized Asians. The hypothesis has some strong arguments on its side. New Zealand is geographically close to the major Asian countries, which already dominates foreign trade, immigration and tourism. The country is so small (just over 4 million inhabitants), and so weak in high-tech production, that it first and foremost will remain a producer of raw materials, especially agricultural products, for China, India, Japan and other countries in the region. The country's other big economic opportunity is tourism. Also there the Asian countries will rule in the sense of having the largest number of tourists

What's the conclusion? Well, that the English-influenced culture in New Zealand, at least its dominant position, will soon be history. The same trend can be seen in Australia. Take the big cities as examples. The English imprint in the form of Victorian buildings in Australia, particularly in large cities, have been increasingly marginalized in favor of an entirely American architectural design and urban planning style with glittering skyscrapers and endless, and endlessly ugly, suburbs (and that has not been a step forward). Possibly we will see the same trend in New Zealand. But with the difference that it will be the Asian economic powers that will make its mark.

Otherwise, I have today done a bit of what a tourist in Auckland is expected to do on his, or her, first day. I took the elevator up the Sky Tower, 328 meter high and "the tallest man-made structure in New Zealand", to be fascinated by the view and the scenery, and thrilled by the young people who bungee-jumped from the tower, took a bus sightseeing-tour and visited the large Auckland Museum. With a Swedish analogy, the latter seemed to be a mixture of the Armémuseum, Naturhistoriska museet, and Etnografiska museet. Two things caught my attention. First, that the Maori culture takes such a big room, literally speaking, in the museum. And that many of those who visit the museum are so obviously interested. There are more people in the Maori-section of the museum than in any other. What about myself, am I interested in what I see? Maybe. Maori stonework, especially jewelry in jade,

greenstone, is interesting (I bought a pendant to Nina in the shop). And of course, the Maori facial tattoos (in which nearly every part of the tattoo has a meaning and a message) is also interesting. But most of the Maori culture as it's exposed at the Auckland Museum is woodcarving and woodwork and in my opinion it gets a bit too heavy and dark.

The second thing I noted was how much resources the museum spends to illustrate the country's volcanic nature, and that earthquakes are a reality. As a Swede, I must admit, I had no idea that New Zealand is more earthquake-threatened than most other countries. But it apparently is. With the help of all kind of multimedia technology, the museum had built a special room where the audience got to experience a hypothetical volcanic eruption in the Hauraki Gulf off Auckland. It was so realistic (including the floor was shaking) that the audience, mainly school children, was quite pale on the nose when the show was over. The message had got through safely.

I also visited the Art Gallery, the Auckland museum for contemporary art, but it was small and also just a few weeks from a move to new premises. So the visit was quickly done. However, I learned one thing from the museum's collection of Maori portraits, that Maori women never as men have tattoos all over their faces, just around the mouth.

Saturday, November 13

I read in today's *NZHerald* a rather gloomy opinion piece about the Australian banks becoming too dominant in the country. According to the Central Bank's latest Financial Stability Report, the four "Aussie" banks own 64% of the New Zealand financial system's total assets. And 80% of the bank's assets. Of course, it's, to say the least, a strong market position.

That given, it's perhaps not surprising that one becomes critical. But the criticism is not very strongly supported by reality. The author believes that the big banks don't give the loans to businesses and entrepreneurs that New Zealand needs to boost economic growth. Corporate lending is weak while housing credit is growing fast, and, says the author, the banks earn big money. Or as the heading sums it up: "Aussie bank's gain is New Zealand's business loss." However, this pattern of low growth in corporate lending is not specific to New Zealand. Virtually all OECD countries have had difficulties to revive corporate lending after the crisis. And lending to the housing sector is expanding fast in almost all western countries.

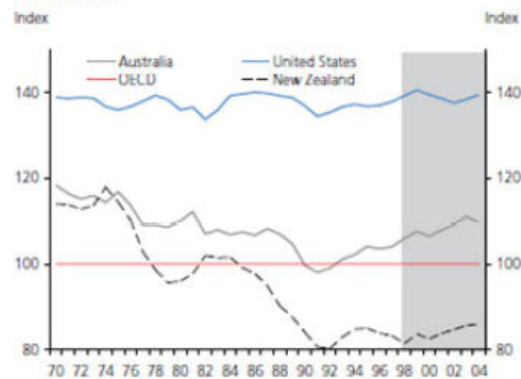
So objectively speaking, it is difficult to accept such a sweeping criticism of the Australian banks in New Zealand. The criticisms are probably more at home in the mental box. It's natural to think that the big brother is too strong. In principle, the same article could have been published in any of the Baltic newspapers. But it would have been focused on the Swedish banks.

The background to the article, and the tone of the article, is I would guess connected to the fact that the New Zealand economy as a whole does not perform particularly well right now. And haven't done so in the past two decades. I have to admit, that it

doesn't fit well with the preconceived image I had before I started looking at New Zealand's economy. For me there has been a nimbus of economic success and wealth around New Zealand. Of course, it was linked to history. New Zealand was for a long time a richer country than almost any other country. In 1900, New Zealand had after England the second highest living standard in the world. 50 years later, in the mid-1950s, the country was still rich in terms of GDP per capita, third in the world-rankings.

Today things are different. New Zealand is no longer at the top of the list, not even close to the top. In terms of purchasing power, New Zealand in 2009 had place 51 in the ranking list, in the same quarter as the Czech Republic, Italy, Portugal and well behind Sweden on place 30, and the EU countries as a group in place 42. In particular, the period between 1970 and 1990 was disastrous for the New Zealand economy. The country went from a living standard well above the OECD average to 20 percent below. And even after 1990 it seems as if the New Zealand economy is getting nowhere in its relative development. The chart below shows quite mercilessly what it's all about.

**New Zealand's per-capita GDP performance
1970-2005**



Source: OECD Factbook 2006. GDP per capita adjusted for purchasing-power parities. OECD figures exclude The Czech Republic, Hungary, Poland and The Slovak Republic.

Why has it become so? Well, it's not an easy question to answer. I hope to get some better sense of the cause-effect relationships during the trip than I have now. But something can be said. The New Zealand Prime Minister, his name is John Key, said in summary, in a speech on the country's economy and competitiveness in May 2010: "We are under-performing." One might as an outsider agree with that. But at the same time, New Zealand's economic development relative to other countries is determined by three basic conditions which are important to the economy, conditions one cannot ignore.

Firstly, New Zealand is a small country with small markets. A little over 4 million people live here, it makes the country a bit smaller than Finland and Norway, and a bit larger than Lithuania. That the population is small means that the markets are small. Even Adam Smith knew that the market size is crucial for the competitiveness of a region, and for the structure of its industry. It's for economic reasons difficult to develop high-tech products far from the market where these products can be sold. And if the market is small, as in New Zealand's case, this means a handicap in terms of such high-value production, exactly the sort of production that the New Zealand economy would need more of.

This handicap is reinforced by the fact that New Zealand is a country located far away. Whichever way you look at the country's geographical location, the distance to the affluent markets in the U.S. and Europe is very large. This means that the relative

cost of transporting everything it exports is higher than that of competing countries. That applies also to high-tech-products, albeit to a lesser degree. So New Zealand's efforts to increase the value added in its economy, has a built in handicap due to its size, and the size of its markets. Similarly, New Zealand is an island and being encircled by high water is presumably an economic handicap.

These three factors are basic in the sense that they are not going to change. That they have a fundamental impact on New Zealand's relative competitiveness is for sure.

Today at lunchtime, I drove out of Auckland with my just signed out Hertz car, a Ford Falcon, and via the Harbour Bridge, I came into the part of New Zealand known as Northland, or just "Far North". It's the northern tip of New Zealand. Because of its mild climate Northland is also sometimes called "The Winterless North". It may seem a bit confusing for a Swede. The farther north one goes in this country, the milder and friendlier environment becomes. To us it's upside down. Or one might say: Northland is New Zealand's Skåne, the South Island is Norrland.

I drove a few hours and had time to see some of Northland's beautiful places. From sandy white beaches with sprawling volcanic silhouettes in the background to green hills, almost as high mountains, full of grazing sheep on the sides, and in between a more flat farmland and also some forests. I lunched at Willford, took a "long black" in Waipu Beach and stopped for an hour or two at Lang's Beach, a famous surfing spot, which today had a lot of people both on shore and in the water because it was Saturday and nearly 25 degrees and sunny. Eventually I came to Whangerei, a medium-sized town in the middle of Northland, and checked in at a pre-booked Comfort Inn.

I'm struck by all place names with Maori background. On the way to Whangerei (which in itself is a Maori name) I drove through, for example, Puhoi, Mangawhai, Waipu, Ruakaka and Mangapai. It's a confusing combination of letters, names impossible to remember for a Swede.

Finally, just an oddity. At lunch, I browsed through the *NZHerald's* weekend edition. On the front page it had the headline: "SWEDEN: Book tells of King's love of strip clubs and six parties". I would guess, it must be a king, preferably somewhat scandalized, or possibly a serious crisis of some sort, to get Sweden mentioned in the media here. Moreover, I make another observation. This article was much more open about what's said in the book about the King and his ladies than what can be said about the Swedish media's openness. Swedish newspapers was generally, in my recollection, much more cautious and a bit subservient. So, not here.

Sunday, November 14

I started the day by driving to the famous Tikipunga just outside Whangerei. It's an incredibly pastoral place with a waterfall, a pond and lush greenery. Otherwise, I haven't gone so far today, maybe 150 kilometers. I had read that a visit to the Bay of Islands was a "must" if you were in Northland. It's an area on the east coast which takes its name from all the islands in the bay known as just Bay of Islands. So I had booked a motel in Paihia, the largest town in the area, and it took me a few hours to

get there from Whangerei. The road runs in a fairly hilly area, partly grassy, partly with forests. The closer you come the Bay of Islands, the more curvy and steep is the road. When you drive in to Paihia, one is struck by how beautiful it is. It's picturesque. It makes me think of the French Riviera.

What contributes to the feeling of the French Riviera is that when you look out over the water, you see a number of islands, they are relatively high and pointed the same way as you have seen all along the coast. And you see other parts of the mainland. For example, the small town of Russell is located on the mainland across from Paihia. It's a featured city with an interesting historical past, today dormant. I took the ferry over and walked around for a while and found that Russell today is a charming tourist town, not more than that. But once upon a time, Russell was an important port, also called "The Hell Hole of the Pacific" because of all the bars and whorehouses. It was also here, in Russell, that New Zealand got its first white settlement in 1809. For a short period during the early 1800s Russell was even New Zealand's capital. So it is a historic site.

The Bay of Islands is historic land also in the sense that just outside Paihia is Waitangi, the place where in 1840 peace was made between the English Crown and the Maoris, an agreement ("Treaty of Waitangi") which are still active in the sense of being under discussion and understanding. As late as 2008, a number Maori tribes were given large areas of the state owned territory as compensation for breach of contract, or rather for the violation of the *spirit* of the agreement.

I've watched TV this evening and it reminded me one of the problems that the New Zealand economy suffers, that too many of the well educated are leaving the country. Among OECD countries, New Zealand is the most severely affected by brain drain. Roughly one quarter of those now graduating from universities are leaving the country, I have read somewhere. Furthermore, it appears that there is no progress over time. It was 22% of the group university graduates who emigrated in the year 2000 (the corresponding figure in Sweden that year was around 5%). Ten years earlier, in 1990, the figure was 17%.

Assuming that most of the young people who move out will be back after a few years, maybe the problem in an economic perspective is not so serious. Many also come back, the statistics show, and of course with valuable experience. But it's perfectly clear, that the financial incentives to permanently stay abroad are strong. This is especially true for the many well-educated New Zealanders emigrating to Australia. New Zealand Institute of Economic Research (NZIER), a research organization, has estimated that a New Zealand two-income family would *after tax* have NZ\$ 18,000 less to move around with than the same family would have maintained in Australia given the level of income and taxes that apply there. NZ\$ 18,000 represents about 100 000 Swedish kronor. It's a large amount for most families, especially since it is after tax money.

Monday, 15 November

The New Zealand roads have to become a separate chapter in the dairy. The roads, at least as seen here in the Northland, reminds me of what life was like in Sweden fifty years ago. The roads are narrow with only two lanes, one for each direction.

They find their way into the wild, which means that they many times are crooked. Here and there you will come to bridges with only one lane, you must stop and wait for the oncoming traffic. Not so rarely, the road crosses the railway in the same plane. The roads pass almost always straight through the larger towns and cities like when you once in Sweden went Riksettan and were forced to drive through cities like Linköping and Södertälje. In order to further contribute to the nostalgia, there are here and there gas stations of the old type close to the road.

All this may sound romantic, but there is another side to the story. The number of road fatalities in New Zealand is very high. This past weekend 13 New Zealanders were killed in car accidents and *News Talk*, "New Zealand's most listened to radio show", spent all day today, discussing what to do about the excessive number of fatal traffic accidents. Interestingly enough, I didn't hear anyone suggesting that one of the reasons why New Zealand has such a high number of road fatalities is the, relatively speaking, low quality of the roads in the country. There is also another aspect of this issue. When I drove out on the New Zealand roads a couple of days ago, I was struck by the high speed and intensity of traffic, and the amount of cars. The latter has since been confirmed, New Zealand has more cars per capita than most other countries, for example, significantly more than Sweden.

I will come back towards the end of the journey with the final verdict on the New Zealand roads.

This comment on the roads fits well today, I have spent many hours in the car to drive almost 500 kilometers. It's perhaps not so much by Swedish standards, at least not if you stick to main roads, but to go 500 kilometers on the roads at the top of the Northland is a major achievement.

The reason why there were so many kilometers was that I wanted to come up to New Zealand's absolute northernmost point, Cape Reinga. I started the day in Paihia, took a first cup of coffee in a charming town called Kerikeri (which, incidentally, also is a part of New Zealand's historic heritage, not least because there is the oldest building) and continued north on the coastal road and eventually came up to Kaitaia, a not so appealing city judging from the main street where it was enough to stop for lunch.

Cape Reinga is located, from Kaitaia, on top of a nearly 120 kilometers narrow isthmus. It's also called the "Ninety Mile Beach" as its western side is said to be one long sandy beach. Getting there, and back because there is only one way, is at times tortuous. Yet the journey along the "Ninety Mile Beach" is fascinating. To begin with, the road goes through an agricultural landscape with grazing cows, beef cattle and sheep. It passes through a few small villages. Gradually, it becomes less and less populated and nature becomes tougher and tougher. The only vehicles you encounter, and they are not very many, are the other tourists on their way back. Finally, from Kaitaia the trip took about two hours, the isthmus narrows to a point. And there lies the Cape Reinga. The lighthouse is as a last stand against the open sea. It's magnificently beautiful. I walk down to the lighthouse. Everything is well organized for the tourists with toilets and information boards. I can read that Cape Reinga is one of the most important Maori sites in the country. It was considered that

here the Maoris' dead crossed over to their origin, "the land of Hawaiki." I learn also that the Cape Reinga area has an extraordinarily rich flora and fauna.

After Cape Reinga I drove back to Paihia (I stayed there for two nights). Even that trip turned out to be a challenge. From Kaitaia, I chose not to go along the coast like I did this morning. Instead I took the road N1 which I thought should take me more quickly back to Paihia. It wasn't that simple. N1 crosses a mountain ranges and the road is winding and difficult to drive. Moreover, it rained violently, and it grew dark.

Tuesday, 16 November

I have had a lot of time on the road even today. I ran from Paihia in Northland to Hamilton in the North Island where I write this. Hamilton is situated some 100 kilometers south of Auckland which I thus came to run through (I did not stay because I felt I had so recently been there). From Paihia to Hamilton, it is certainly not so far measured in kilometers but in terms of time it's longer. The trip took me 5-6 hours.

It strikes me that when you sit so many hours in the car, you can use the time to (among other things) a kind of modest market analysis for heavy trucks. In other words, how do Volvo and Scania fare in competition on the New Zealand market for "heavy trucks"? One thing is clear, the two Swedish truck manufacturers are "big players" here like in so many other countries. One meets a constant flow of heavy trucks and remarkably many of them are manufactured in Sweden. What I note in this simple way is that Scania is bigger than Volvo in New Zealand. It was the other way around in Australia where the Volvo was bigger.

Of course, one might wonder about the psychology of being a bit proud every time you see a Swedish product, or anything else with a Swedish connection. For that is how it's for me. Today I got a couple of other reminders of Sweden. I read in the *NZ Herald* that New Zealand has a "Banking Ombudsman" (which is more than Sweden itself has). And a restaurant in Karakawa advertised in big letters that they served "Smorgasbord". By the way, Karakawa is the city with a public toilet on the main street which will give tourists (including myself) incitement to visit a toilet which they surely wouldn't otherwise have done. It's the Austrian artist and architect Friedensreich Hundertwasser, he lived in Karakawa for some time, who in 1998 when the public toilet would be renovated was given a free hand, and then created something so remarkable that today it's probably the small town's main attraction.

I read in the newspaper today that NZIER has just presented a report which urged New Zealanders to save more. The proposal is, I would say, well founded. "The Kiwi" (which is jargon for a New Zealander) consume as the worst American. According to the NZIER, the public and private consumption amount to 80% of GDP, it is *very* high. The equivalent figure in Australia is 60% and in Singapore 50%. Also Sweden is at a level of 50%. One of the consequences has been that New Zealand each year is increasing its net foreign debt which, according to recent estimates, amounts to 86% of GDP. There are many countries that have a higher foreign net borrowing relative to its GDP, but in New Zealand's case the level is for various reasons (including the extremely high consumption) dangerously high – and of course the reason why the NZIER believe that private savings must increase. Is New Zealand

about to become a new Greece? No. It's not the government which borrows heavily abroad like in Greece, it's the private sector in New Zealand which is the big borrower and it's not as dangerous for economic stability as if the state is the dominant borrower.

Wednesday, 17 November

I started the day by visiting Waikato Museum at one end of Hamilton's main street. It was worth the visit. One of the reasons why I wanted to go there was that the museum, I had read, had a large Maori department. And I was impressed. Especially of a mighty war canoe exhibited, 20 meter long and two meter wide with room for about fifty warriors. This part of the North Island is obviously Maori land. Waikato River, New Zealand's longest waterway, which passes through Hamilton, was historically important for the Maoris, I read. Moreover, I get the feeling that the Maoris and their culture are cherished in the country. And also that Maoris probably are more integrated into the New Zealand society than you can say about the Aborigines in Australia.

I had lunch in the charming city of Cambridge some 20 kilometers south of Hamilton, center for horse breeding in the country I understand, and later in the day I had coffee in Te Puke, a middle-sized town which calls itself "The Kiwi Fruit Capital of the World". It's probably justified. The area around Te Puke is filled with kiwi orchards.

Overall, this part of the North Island is a rural area beyond the ordinary. It's not only kiwis which are grown here. It's primarily an area where dairy and meat production play a major role. And it's a production that follows different rules from what the dairy and beef farmers in Sweden, or for that matter in other European countries, have to comply with. It's the rich nature and the mild climate which explain that no other Western country can produce one gallon of milk or a pound of meat, as cheap as New Zealand.

Take milk for example. The reason for the low relative cost of milk production in New Zealand is that agriculture here is carried out extensively, not the intensive agriculture with fertilizers and several hay crops during a short period which are the rule for Swedish dairy farmers. It's interesting to try to understand the difference. A typical dairy farm in New Zealand, say that it's on 200 ha and has 400 cows (average farm here is significantly bigger than in Sweden), has its land divided into a number, moderately large fenced paddocks where animals graze, only one paddock at a time, then the next in a constant orbit. What you see when you go through these districts is thus large green space where one paddock, perhaps one out of five identical, is grazed by a large number of animals while the other four fields are "empty". I saw today such a paddock, hardly larger than two hectares, where at least 250 cows grazed. That means many more animals per square meter than what you see on Swedish pastures. The practical consequence of this circulation system which is ongoing throughout the year, will be that the animals, at least the adult animals, never are "stabled". In Sweden, like in most European countries, we have to have the animals in-doors roughly half the year.

That the cows here not are kept in stables means that the farmer's buildings may be kept at a minimum. In Sweden, buildings must meet a harsh winter climate and are adapted to it. The cow-house we built on Groveda 10 years ago then cost 3 million

kronor (\$550 000). A building of that class is not at all seen here. It's my impression that buildings on the farms here are the simplest possible three-wall shed in sheets. The simplest of the simple is a building that looks like a giant half tinned can without a lid which many New Zealand farms use for storing equipment and more. One only has to look at farmers' buildings to understand that the investments, and the capital costs, in agriculture are relatively very low.

It's a fair conclusion that the New Zealand model for milk production has low cost compared with almost anywhere in the Western world. Operating costs are lower. There is no processing of the land, no urine wells need to be emptied regularly (since animals are outside the year around there is no manure to care for), virtually no grass is harvested and it practically no storage of feed is needed. Capital costs are also lower for the reason I have just mentioned – that the farm buildings are fewer, smaller and simpler than in for example European farms.

How extensive is the New Zealand milk production? Well, it's not so easy to comment on. But we know that there are just over 5 million dairy cows in the New Zealand today (which, by the way, means that there are more cows than New Zealanders). Sweden currently has just under 400 000 dairy cows, in all EU countries there are about 24 million cows according to EU statistics.

The bottom line is that other dairy farmers, and in particular the European dairy farmers, must be pleased that New Zealand is located where it's, and that fresh milk is a perishable commodity that is expensive, and in some cases impossible, to transport over long distances.

I'm writing this in Whakatane on the North Island's east coast, in the region tellingly called "Bay of Plenty," where I stay for the night. Incidentally, I had to night, down at the quay, Whakatane is a fishing town, the hitherto most delicious dinner in New Zealand, a appetizing seafood soup simply called Seafood Chowder. I would have liked to have the recipe but forgot to ask for it.

Thursday, 18 November

Napier has been the goal for today's trip. It's like Whakatane a medium sized city, but a good bit further down the North Island's east coast. It took me almost six hours to drive here (but again, it was more due to the crooked and narrow roads than inherent slow driving). Anyone who wanders around in Napier, and particularly along Hastings Street which is one of the main streets, will surely be impressed by the beautiful buildings. It has a dramatic backdrop. In February 1931 the area was hit by a powerful earthquake, the worst in New Zealand's modern history. Napier came closest to the epicenter, over 200 people died and the city's buildings were destroyed en masse. Major relief efforts made it possible to rebuild the city center and it was done in Art Deco, a style of the time. Napier's center is full of buildings in this Art Deco approach, quite low, rarely more than two floors, a little box-like but ornate buildings. It's sparse but elegant. I read that architects interested in the Art Deco travel to Napier. It is not surprising.

Otherwise the day was monotonous in the sense that I had to sit longer in the car than I had planned. It has given me time to think further about the agriculture, and its

importance to the New Zealand economy. There is no doubt that agriculture plays a significant role to say the least. I heard on the radio that about 30% of GDP in the South Island can be attributed to the agricultural sector. It is likely that the figure for the whole country is in the same range.

It's hard not to give agriculture a key role when thinking about what New Zealand's competitive advantages are in a global economy. Or more generally speaking, it's nature – and that includes the benign climate – which provides New Zealand special advantages in the market. More specifically, there are two areas which are interesting. Firstly, agriculture, fishing, forestry, mining and other use of nature. Secondly, tourism.

When you drive through the country, you see all possible forms of use of "natural resources", ranging from dairy and beef farms to sheep farms, kiwi orchards, oyster farms, fishing villages and numerous vineyards and everything in between. Parenthetically, it seems as if mining is playing a secondary role for the New Zealand economy, although there are a number of mines, including coalmines in the South Island. It's a bit surprising given the large mining sector in Australia not so far away.

The forestry is worth its own comment. It has been estimated that 85% of the country was forested, and only 5% was grass, when the Maoris colonized the country about 1000 years ago. They engaged in burn-beating and gradually less forest and more grass covered the land. But the great transformation from forest to the grass occurred during the 19th century when the English settlers found that timber was a valuable export commodity and at the same time discovered that the yields of the land could be increased if you bred dairy cows and beef cattle on the deforested land. The result was a dramatic decrease in the forest stock. Today, only a quarter of New Zealand is forested area, and half of the area is used for a growing grass. In other words, there are today many sheep grazing on land that was previously covered by forests.

What about forestry in New Zealand at present? Well, when I today went over the mountain range called Raukumara Range, I could see forestry of some size. There were large areas with plantations, mostly pine, and also some deforestation. The many timber trucks that I saw were another sign of active forestry. And when one looks at the country's exports statistics one can see that timber is a major export commodity, the third largest after dairy and meat products. (However, I haven't seen a single truck with pulpwood. That might mean that there is no significant pulp and paper industry in the country.)

Tourism, and then I think of tourism related to nature, is the second major economic opportunity for New Zealand. Speaking of nature, the country is more richly equipped than any other country I can think of. New Zealand has absolutely everything that attracts tourists. Long beaches with white sand and waves that make the most advanced surfer interested (Lang Beach which I visited last week is of that category). Or areas with picturesque towns that may get a pensioner to sigh over how beautiful it's and maybe think that he is on the French Riviera (Bay of Islands is one such area). Or just a visit to Auckland, which must be one of the world's most beautiful cities. And you can hold on for the full range of interests, from alpine skiing to sailing and deep sea fishing. Not to mention the usual "round trip" tourism of the kind I'm engaged in

just now. There aren't many countries that can offer such a variety of scenic experiences as New Zealand.

It sounds good but the economically minded wonders if the country is not too far away, if not the cost to get here is too high, for tourism to become such a big business that it will make macroeconomic difference? I think so if we talk about tourism from Europe and USA. But of course, the great opportunity for New Zealand as a tourist destination is Asia. As China, India, Korea and other Asian countries, reaches such a standard of living that broad groups can afford to go abroad on their holidays, then I would guess that many will choose to go to this beautiful but sparsely populated country. A person walking around on Auckland's streets today will get a hunch how it might look like.

The question is whether these two nature-based competitive advantages in the coming decades will take New Zealand's standard of living to about the same level as the average of western countries, and preferably, it's certainly important for the country's self-esteem, to about the same level as the standard of living of big brother Australia. Well, I'm not sure. It's not obvious if you talk about an economy that is as small as New Zealand's. The domestic market is small by definition, simply because the population is small. This handicap is reinforced by New Zealand being located far away from big markets, in the middle of the Pacific Ocean. It will probably mean that there will be a shortage of skilled labor, venture capital, etc. Or, as a Taiwan born taxi driver in Auckland told me: "There are not enough people in this country. We should be twice as many." And he is absolutely right. It can be difficult to develop more sophisticated products which certainly are a prerequisite for sustainable high relative GDP growth. It can be especially difficult if the market cannot function freely. There is ongoing vocal debate in which representatives of farming and agriculture, and in this country that's synonymous with real political clout, believes that New Zealand farms are not to be sold to foreigners. And likewise that foreign ownership of agricultural industries, such as dairy and meat processing, shouldn't be allowed. It's conceivable that this is populism that will never materialize. But it's an ominous sign that these questions are raised. As recently as today this issue was debated in a radio broadcast that I listened to.

Friday, 19 November

When I checked out from my motel in Napier today the owner said: "I see you are from Sweden, I was there once, in Malmö." Thus began a conversation about Sweden – and there was a call with positive overtones. And the same encouraging attitude I have met many times during the trip. It seems as if New Zealanders like Sweden, and Swedes they meet. I don't know why but perhaps it has something to do with that both countries are members of "The Club of Small Peripheral Western States". Or that we both are located at the extremities of the planet. Or perhaps it has something to do with a political affinity between Sweden and New Zealand several decades ago. Both countries were for a time after World War II admired welfare states which other country's decisions makers made study trips to. It took an abrupt end when both countries suffered deep structural crises in the 1970s.

When you yourself come from a small country and visit another small country, you become aware of some peculiarities. As for example, that a tiny country in order to maintain a national identity and pride must create, metaphorically and literally, its own

playing fields and thus heroes. To take it very concrete. All Black is an unknown phenomenon for a Swede but something that dominates the media in this country. All Black is the national rugby team. All New Zealanders (it seems) hope that the All Black will be world champion next year when the World Cup will take place here. And that feeling is particularly strong right now because All Black last Saturday happened to defeat archrival Australia. Nothing can be larger than that in this country. Of course, there is the very same phenomenon in Sweden. We have world championship in bandy, a sport that few outside of Russia and the Nordic countries are aware of. And we will be euphoric when Sweden becomes so-called world champions. And much the same with ice hockey, even if it's a sport which is big in a few more countries. In area after area, one can find this phenomenon. If you cannot compete on the global stage, then create your own scenes where great success is accessible.

Another aspect of the same issue. The few global celebrities the small country has, have to be treated with care. More than fifty years ago New Zealander Edmund Hillary, now Sir Edmund Hillary, became the first white man to reach the summit of Mount Everest. However, almost every day you can read something about Edmund Hillary and his family in the papers here. And it's part of the picture that Edmund Hillary has been dead for some years. Such a thing had hardly happened in the U.S. for instance.

I must once again come back to the roads. I have today hit the road N2 from Napier to Wellington at the bottom of the North Island, a distance of around 300 kilometers. It was a straight and pretty flat road (apart from a rock party just before Wellington). However, the entire route was single track, one line for each direction, it simply put looked like road 134 from Linköping to Groveda. What's special about New Zealand roads, including those of high relative class as this part of N2, is that they without exception (as it seems) is pulled through the towns and communities along the route. I've probably passed through a dozen towns and villages today. It has its charm, and is sometimes convenient, for example when you need to buy gas, or just take a break. But it extends the travel time quite considerably and there is a risk of accidents. New Zealanders drive like all the other people faster than allowed – and it's also true in densely populated areas.

One has to realize that New Zealand society has a huge venture, and a huge investment, in front of itself the day the politicians decide to give the country's roads the same standard that applies in Western Europe and the USA. The interesting question is, how does it come that the roads in New Zealand are so clearly underinvested? My hypothesis is that it's linked to the radical political change made 25-30 years ago, in the middle of the 1980s, which at a stroke gave the public sector, and the taxpayer-funded part of society in general, a smaller space, and the private sector and the market a greater space. If you look at the size of government, and in particular on the relative size of the public investments, one can see that New Zealand is among the Western countries that have the smallest public sector. The "obsolete" and dangerous roads are just one expression of what it means in reality.

Of course, it might be too presumptuous for a visitor to say anything about what New Zealand should do about this particular problem. But if I was a New Zealander and had political power, I would raise taxes and invest the tax revenues primarily in the

New Zealand road network, with a long-term goal of reaching international standard. Such a program might take 10-20 years, but it would kill two birds with one stone. It would solve a serious social problem, the substandard roads, and it would increase the savings in the New Zealand economy. The latter is not unimportant. The low level of savings is also a social problem. As I mentioned earlier, "TheKiwi" consume too much and therefore saves too little. The consequence has been that the country, year in and year out, has to borrow from abroad to get the national account to balance. A country can be a net borrower for a time. But not forever. New Zealand has had a deficit in its current account since the beginning of the 1980s, and the deficit has a tendency to increase with time. So something has to be done. To cool down the propensity to consume with some tax increases, and building new roads for the money, would therefore be my suggestion.

Saturday, November 20

I write this in Wellington, New Zealand's capital city (but again not the largest city, not even the second largest, which is Christchurch). Wellington is situated at the bottom tip of the North Island at Cook Strait, separating the North and South Island from one another and where one can only cross by ferry.

The latter has some consequence for those who intend to rent a car and cross the Cook Strait. That was how I had planned – to take out the car in Auckland on the North Island and return it to Christchurch on the South Island. But in practice it turned out to be impossible. For some reason, you have to give up the car you have used on the North Islands in Wellington, take the ferry over and then sign up for a new car in Picton on the other side. So I started this day with returning my car to Hertz. At the same time, I decided to stay two days in Wellington and therefore take out my car for the South Island first on Monday morning. As a bonus, I got more time in Wellington (and saved two days' car hire).

Already the taxi driver who took me from Hertz to the hotel, James Cook, told me that I have to visit Te Papa. "It is really something special." I didn't understand what Te Papa was but could very quickly see that it's the name of the country's best known and most visited museum. Or as it's more officially called: "Te Papa Tongarewa - Museum of New Zealand". The Te Papa building is a post-modern, slightly futuristic colossus in the harbor. It's a museum of a kind that you probably can only find in a small country. It covers, as it seems, everything – New Zealand's history, politics, culture and nature. It's big, I counted at least twenty exhibitions. It's educational and transparent. I think it's fair to say that Te Papa is a museum for all people, it was undoubtedly more New Zealanders than tourists there this Saturday which is a good rating. It's a National Museum in the true sense of the word. Or as it says in my guidebook: There is no faster way for those who want to learn a lot about New Zealand in a short time than to visit Te Papa.

And I have really learned a lot about New Zealand during the hours I was there. Among other things, from an exhibition called "A Slice of Heaven, 2000 Century New Zealand" (with an implied question mark after). It was about the country's 20th-century history, about the strong links to England during the century's first fifty years, about how the economic importance of this coupling abruptly disappeared when Britain joined the EU in the 1970s, about how the world's second richest country (which New Zealand was for a period) with an expanded welfare state ran into

problems and slid down the league of the world's richest countries, and about how in the 1980s New Zealand politicians tried to tackle the problems through a radical market orientation and privatization of the economy – and about how that strategy eventually hit rear, in any case wasn't the impetus for growth as the proponents had thought it would be. There ended the show. It said nothing about New Zealand's development after 1990. But we know that the economic problems have continued.

Te Papa also taught me something about the Maoris and their position in the country. A young man, he was a guide, approached me when I stood and looked at one of these giant Maori war canoes. He told me he had just finished his university studies, and had got a trainee job at Te Papa, and hoped to eventually gain permanent employment and become a "real" guide. I asked questions about how the Maoris today perceive their situation and he was generous with his thoughts and knowledge. We talked at least half an hour. What he said was roughly as follows: There is a bit over 600 000 Maoris today in New Zealand, around 15 percent of the population. Most of them, he mentioned 80%, live in cities, and although there were some serious social problems when the Maoris on a broad front moved into the cities during the decades after World War II, today's Maoris are fairly well integrated into the New Zealand society. They educate and train themselves and try to get a job like any other New Zealander. "We should probably be glad that it was the British who colonized the country, not the French. The English have a sense of fair play which the Maoris have taken advantage of."(The background to his comment was that it was actually very close that it would have been France, not England, which colonized the South Island in 1840.)

What this young man says is consistent with what I have seen. It seems as if the New Zealand politicians really make a serious effort to give the Maoris and their culture an equal place in society. Te Papa is a good example. The Maori culture and history takes here, just like at the Auckland Museum, a lot of room. There are Maori-speaking guides, all information, including brochures, are bilingual etc. Also in the rest of society one can see that big efforts are being made. There are Maori schools, there is a television channel broadcasting in Maori (which is translated to English through subtitles) etc. But of course, I also understand that there are areas of conflict. This particularly applies to the issue of land ownership in which the Maoris believe that the agreement reached with the British in the mid-1800s ("Treaty of Waitangi") came to be used by the British in an unfair manner. The English came in practice to become owners of vast areas of land for a pittance simply because the Maoris didn't understand the meaning of ownership, it in turn was because in the old Maori society all land was jointly owned, a commons in the real sense of the word.

Sunday, November 21

Modern technology is amazing. I started the day by talking with Andreas in Boston via Skype. In about an hour we talked without interruption, with good sound quality and it was "complimentary". We talked about everything, about New Zealand, about my plans in the near future, about his work at Harvard (which has not been without problems) and about various other things.

Among other things, I told him that what has surprised me more than anything else is how marginalized the United States, and even more so Europe, is here. If one looks

at New Zealand TV (or for that matter Australian TV), or read the newspapers here, United States and Europe are hardly in the picture. And if those countries are mentioned, it is usually in response to crises of some kind. Most recently there has been much in the media here about the debt crisis in Ireland. Almost everything on TV and newspapers that deals with the economy, and especially with the future economy, do revolves around Asia, and particularly around events in the major Asian countries, China, India and Japan. I guess that's the pattern found in all Asian countries. One thing I know for sure. The picture was exactly the same in Australia. It's almost shocking for a European to discover this. One is still around and thinks that the world's center is, if not in Brussels, at least in Washington DC. It's not true. It's telling that when we in Europe and the U.S. talk about "the Global Financial Crisis", here it's called "the North Atlantic Financial Crisis".

I also mentioned to Andreas that Hans and I made the observation in Australia that we almost never come upon an American tourist. But there is a simple explanation – the average American cannot afford to go on holiday to Australia. When I toured the U.S. westcoast a month last autumn, a normal Comfort Inn motel would cost between \$90 and \$110 per night. Staying one night at a Comfort Inn in Australia (which roughly has the same standard as in the U.S.) costs twice as much. Or even a bit more than that. And to eat the way you do as a normal tourist, I would say, is more than three times as expensive in Australia as in the U.S. One wouldn't be surprised that there are not many American tourists in Australia. At the same time, Sydney, and Auckland for example, are literally flooded with tourists from Asian countries.

All this is a reminder that the world's political and economic center has shifted towards Asia. I write deliberately "towards" (not *to*) because I believe that when the financial crisis has subsided in a few years, it will turn out that both sides need each other, Asia needs the U.S. and Europe and vice versa, and it will develop a political and economic balance that with a little luck will give the world a new economic golden period.

Speaking of shifts of power between West and East, I got another wake-up call today. I've been to a couple of museums of contemporary art, and most interesting was the visit to the City Gallery. There was a collection of modern art with an emphasis on art from Asia. And in my opinion, it was very interesting in the sense that it didn't look like the art we see at, for example, the Moderna Museet in Stockholm or at MOMA in New York. It's difficult for me to pinpoint the difference but there was in the artworks an element of the traditional Asian in the otherwise contemporary western, a sort of mix that was exciting. It becomes, at least for me, something "I have not seen before," a twist that's appealing. If it just a coincidence, or an opinion without substance on my part, I do not know. Still less do I know if contemporary art being made in Asia is pioneering, or interesting from a professional point of view. But I liked what I saw.

Otherwise, I had begun the day by taking the Cable Car up to the Botanical Garden, maybe 100 meters above sea level, and then make the half an hour long walk through the park down the mountain back to downtown Wellington. It was in many ways a pleasant hike. Towards the end of the promenade, you pass through Wellington's old cemetery. In a way that surprised me, the politicians had once

decided to build a highway straight through the cemetery. The highway cuts literally the cemetery in two parts, there are graves on both sides of the motorway. I read that the remains of more than 3,000 people were to be moved to a mass grave. The highway was built in the 1960s and perhaps that explains why it was politically possible. But I wonder if we in Sweden even at that time would have done something similar. Today, it would definitely not have been possible.

In a way, I wasn't totally surprised. Several of the cemeteries I have seen while traveling in the North Island was not especially nice places to look at, some looked almost ugly. The worst example I encountered was a cemetery figuratively kicked out in a field, adjacent to a busy road, with no fences or walls and no buildings. That there was no church is however not surprising. When the British colonized New Zealand they took with him the idea of 'municipal' cemeteries where people were buried regardless of faith. I read that Wellington's old cemetery was just of this type, however, the different religions, Christians, Jews, etc., had various parts of the cemetery. Anyway you have to ask what the reason is that New Zealanders seem to be so disrespectful, almost nonchalant, to their dead ancestors. Perhaps it has something to do with New Zealand being a young nation where its people in the first place had to concentrate how to survive? At least that it has been that way. Perhaps my reaction is just a reflection of me being Swedish, it is possible that the way we manage our cemeteries is the other extreme?

Monday 22 November

Early this morning I took the ferry from Wellington in the North Island to Picton in the South Island. It's a journey of about three hours across Cook Strait. Cooks Strait by the way is considered to be among the worst passageways in the world when the Roaring Forties is approaching. But today the weather was friendly, one almost didn't feel that we were moving in such troubled waters.

The last hour of the trip is something special. The ferry enters at low speed into something more like a Norwegian fjord than anything else. It's spectacularly beautiful with tight sounds, high mountains on both sides and with water that sometimes turns azure blue. In short, this one hour-long journey inshore on the fairway to Picton is entertainment-candy for tourists. It has been said that it's the South Island of New Zealand that offers the truly scenic and spectacular countryside. It began well.

I got out my new car at Hertz, had lunch in Picton (which is a charming little town in the far end of the long bay called Queen Charlotte Sound) and decided to start my visit to the South Island with going to Blenheim some 50 kilometers away. The reason was that Blenheim is right at the heart of one of New Zealand's largest wine regions. And even more because I had read that Blenheim in a few decades had grown from a small, sleepy town into a dynamic medium-sized city, all thanks to Blenheim becoming a service center for the vineyards in the region. There is no doubt that in regions where grapes can be grown and wine made, and provided that the wine produced is of such quality that the market is willing to pay for it, a good local economy is usually created. Judging by what you can see, people in such areas live comparatively well. When Hans and I went on our 6000 kilometer trip in Australia, we could observe just that. When we left the traditional farming territory with milk and meat production and came into the wine country, you could literally see the standard of living rising. People lived better, could afford more, house prices were higher and

the range of services more differentiated compared to what it looked like where traditional agriculture dominated.

I think I've seen the same pattern in New Zealand. Blenheim is a concrete example. It's conceivable that New Zealand's wine production in future will have real importance to the national economy. Today, winemaking is relatively marginal, at least if we look at export figures. Just under 3% of the exports in 2009 was "beverages and liquor". The New Zealand export is dominated by traditional agricultural products. The interesting thing is that New Zealand's wine is of high relative quality. Over the past week there has been much talk in the media here about New Zealand wines "sweeping the board" at a recent wine fair in Hong Kong by taking home more first prizes for its wines than any other country. Logically, New Zealand wines are in the higher price range. Provided that people continue to drink wine, and provided that the drinking of wine also will become big in Asia (which is on its way), wine can become a product with high value-added which will have great significance for New Zealand's GDP growth. It's no question that the nature provides the necessary conditions for high-quality wine production.

That's the long run perspective. Speaking of the situation today, we know that globally there are produced more wine than the market demands and that the high supply puts pressure on prices which in turn means that many wineries in the world are economically and financially pressed. The price pressure is of course also on New Zealand wine and it may well be that in the short term many of the country's wine producers have to struggle to survive. But it's the expensive, high-quality wines that are best able to cope with over-supplied markets. And that's the segment where, as I just said, a big part of the New Zealand wine production is focused.

I'm writing this in Nelson (a fairly large city in the northern part of the South Island, perhaps 50 kilometers northwest out from Blenheim) where I had a room booked. There are plenty of motels, almost every little village has a motel, and at this time of the year, the high season starts not until Christmas, it seems easy to get a room for the night almost everywhere. Yet, I prefer booking in advance via the Internet – for several reasons. It is easy to make an online reservation, I spend rarely more than 15-20 minutes finding a hotel and book it and you get an instant email confirmation. In addition, you don't need to spend time the next day looking for somewhere to stay, you know the target for the day and what the price for the room will be etc. If you choose some of the well-known chains, like Best Western or Comfort Inn, you also know something about the standard of the room you have booked.

Tuesday, November 23

I had to change my plans for today. I considered driving to Greymouth some 200 kilometers down the South Island's west coast. But an explosion in a coal mine in Pike River outside of Greymouth with 29 miners locked up several hundred meters underground, has made it virtually impossible. The accident happened as early as last Friday but since toxic gases so far have made any rescue operation too risky, the disastrous explosion has gradually built up a huge media interest. There is not a TV channel, or newspaper, which doesn't give the Pike River accident amounts of attention. Even international media is covering the incident from Greymouth. And that's what has become my problem. Journalists and others have literally invaded

Greymouth and several TV spots last night showed that it was practically impossible to find a room in Greymouth and neighboring places.

So I changed my plans and decided to stay another night in Nelson and make the trip all guide books say that one should make – up to Collingwood and Golden Bay, perhaps 100 kilometers along the coast in the northwesterly direction. It's a cul de sac-expedition in the sense that you have to go back the same way you come simply because at Collingwood you are at the end of the road. It's possible to move further up, out on the 35 km long, narrow tongue of sand which is a kind of shelter for Golden Bay, but then you have to have a four wheel drive which I hadn't.

It was still an eventful and exciting day. Like to drive over Takaka Hill, known primarily for its 365 curves that you must accomplish, more curves than for any other mountain road in New Zealand. Like to eat lunch at the famous Mussel Inn. Or like being able to buy fresh cherries, this whole coastal area is a kind of "fruit garden".

When I came back to Nelson, I did what I had planned to do several times before but without fulfilling my intentions – to walk into a New Zealand "ICA" store, a supermarket, and check out what it costs to buy groceries, and to compare the prices here with the Swedish prices. It's no scientific study to put it gently, but you still get a feel for the prices at large. As far as I can see, a New Zealand family on the whole, has as a "grocery account" every month just about as big as a similar Swedish family. There are differences in different groups of goods but the variation is smaller than I thought it would be. What surprised me most was that the staples - fruit, meat, milk, cheese, etc. - were so expensive here. One would expect that such goods should be, relatively speaking, cheap in a country that produces so much food, at least when compared with Sweden which have much fewer opportunities for agricultural production. But the difference I couldn't detect.

If I broaden the perspective to the price level in general, what could be said then about New Zealand prices compared with Swedish prices? The cost of living in one's own house is slightly higher in New Zealand. An average one-family house here cost in 2009 \$350 000 (in the capital, Wellington \$ 390,000 in Auckland probably more than that). It represents slightly more than SEK 1.9 million. That compares with the average price in Sweden in early 2010 which was almost exactly SEK 2 million. But the financial cost for the dwelling for a family in New Zealand is higher because mortgage interest rates here are higher than Swedish rates (which for the time being are artificially low to alleviate the impact of the financial crisis). When the interest rate in Sweden is normalized, and it's a matter of time, the difference in costs to own a house between Sweden and New Zealand will become negligible. Eating out, in a restaurant, here costs about the same as in Sweden. A straightforward lunch at a restaurant of the kind you go to as a tourist costs about \$20-25, a no-nonsense dinner cost \$30-40. It is pretty close to what it would cost in Sweden. The cost of fuel for the car is marginally lower than in Sweden. One liter of 95 octane gas costs about \$2, diesel costs about \$1,50 per liter. Staying in hotels is also cheaper here. The average cost per night so far for my accommodation in New Zealand has been \$130. It would hardly be possible to find a hotel/motel-room with the same standard in Sweden so cheap.

What is the overall picture? Well, that prices in New Zealand for all heavy items in the budget for a family – food and other groceries, eating out, accommodation, transportation etc. – on the whole are at about the same level as in Sweden. Possibly, it should be a little cheaper to live in New Zealand during normal conditions but right now the higher interest rates eat up the difference. A five-year mortgage in New Zealand currently costs around 7% (in Sweden 4.50-5%).

But everything is relative. Prices in Australia are significantly higher than in New Zealand. If I would have done the same trip in Australia that I have done here, the same standard of food, accommodation, car etc., the total cost on average would have been 20-30% higher. Australia is simply very expensive.

Otherwise, newspapers, radio and TV today commented that Standard & Poor has given New Zealand a warning that it might lower its credit ratings (from AA +, the second highest level). New Zealand must bring to a halt its growing foreign debt and its predatory borrowing, and unless it is done, it can expect a reduction in the ratings. A lowered credit rating has some real significance in the sense that it becomes more expensive for the New Zealand government, and for the banks, to borrow abroad. However, the really severe damage is political. It would be a humiliation for the government of New Zealand if Standard & Poor would lower the country's rating.

The Finance Minister this afternoon expressed surprise and disappointment at Standard & Poor's decision. He thought that there had been some improvements in for example savings in recent years which Standard & Poor's for some reason had not taken into account. I guess, that's what a finance minister has to say. For he couldn't have been surprised. New Zealand's economy shows precisely the weaknesses that Standard & Poor's identifies.

Wednesday 24 November

I'm in Westport, a small coastal town maybe 150 kilometers or so southwest of Nelson. I had planned to drive to Greymouth but the Pike River accident continued to put up barriers. All hotels and motels in Greymouth and surrounding towns were still fully booked. Furthermore, the mining accident got today its sad resolution. All 29 miners were declared dead after a second, very powerful explosion. Coal mines are particularly dangerous, I have been taught in recent days, by forming toxic and explosive gases. So it was in this case. It made all the rescue operations impossible after the first explosion last Friday, although at least there was a theoretical possibility that some of the miners were alive. When the second explosion occurred this afternoon, there was no doubt – and all were pronounced dead. Moreover, it can be difficult, even impossible, to remove the bodies from the mine I heard someone say. It will in any case take time. One can easily understand that this kind of event drawn out over days with all its drama, the biggest mining disaster in the country for 100 years, is out of the ordinary for media. And it explains why all the hundreds of journalists and other media people are in Greymouth, and why I and other tourists have had problem finding a place to stay for the night.

But from a harsh economic point of view, the media invasion has obviously meant a boom for the hotel and restaurant industries in the area. And that might be needed. I read in today's *The Press* (a Christchurch paper) that the Chamber of Commerce

expects a deteriorating local economy due to the Pike River accident. And I was amazed when I saw how important the mining industry (it is almost exclusively coal mining) is in this region. The region is known only short as "The West Coast" and is a narrow corridor along the coast where it doesn't live more than about 30 000 people. It has, according to *The Press*, been estimated that the local production, the region's GDP if you will, had a total value of \$ 1,4 billion in 2009. Out of that, mining accounts for about half. It can hardly be any other region in the country which is as dependent on mining as the "The West Coast." According to the same report, the contribution of tourism to the local GDP was only \$140 million in 2009. It might be a surprisingly low figure. One is struck by how many tourists there are in the area, and we are still several weeks from high season. On the other hand, the figure is in line with what I know from before, that tourism accounts for approximately 10% of New Zealand's GDP.

Speaking of economy, today I have travelled through large areas with active forestry. And it's a forestry that differs markedly from what we are used to in Northern Europe. In Sweden for example we consider forests that grow high up on mountains and mountain slopes as an economic problem, we know that they are costly to harvest. And we would think twice before deforesting mountain sides, and being forced to plant new trees. Not so here. In fact, the entire forestry, including logging technique, seems to be based on forests which grow on mountains and high hills. One can see large areas of plantings near the top of the mountains. And it's no small hills. The highest pass I went by today was at about 700 meters. And there was active forestry going on there.

Exactly how this forestry is carried out, I don't know but what you can see is that when you decide to fell, to log, a particular area it's done by deforesting. All trees, large and small, are cut down. It's deforesting of a type that we never see in Sweden, stumps, twigs, brushwood, everything is stripped away. On the surface made available new trees are planted in straight lines. The climate and soil make the trees planted on one particular lot look almost exactly the same after say 10 years, they have the same size, etc. It's rare to see something like that in Sweden.

Thursday, 25 November

Between Westport where I started this day and Greymouth, you drive along the coast, the Tasman Sea. It's something of the same experience as driving on Highway 1 between Los Angeles and San Francisco (although the latter is much longer). It's in both places a barren coastline with cliffs, big waves and colonies of seals. It's scenic in the sense of dramatic. But amid all the rugged coast, there is suddenly lots of palm trees and large ferns. It's probably wrong to call it rainforest but it's the word I come to think of. In short, it's an extraordinary experience to ride this coastal road. I understand why many New Zealanders have said to me that if you are planning to go to the South Island, it's a "must" to go the West Coast.

I came in to Greymouth at lunchtime, parked the car and found rather quickly a place to eat. Knowingly or unknowingly, you look at the people you meet to see if the tragedy is visible in their faces. (Most of the dead miners lived in Greymouth.) It wasn't, I couldn't see anything at least. On the contrary, I was struck by the bustle in the streets of the small town, inhabited by hardly more than 15 000 people. Greymouth at lunchtime this day looked to me the same as a small town anywhere in

New Zealand would have looked. Had I not known about the tragedy, I might not have noticed any difference at all. The message is clear, life must go on, and it will even if a huge catastrophe had occurred close to you.

But everything was not as usual, after all. When I came out from the restaurant, I couldn't drive out of the car as a BMW 730 with driver had parked in the lane parallel to my car. When I look around I see some men in dark suits on the sidewalk, a couple of them with earphones. It's an obvious anachronism. One cannot expect men in suits on the streets of this town. And rather quickly, I see that it's the country's prime minister, John Kay (who has been so much on TV in recent days that I recognize him), with entourage in charge of the populist part of their mission, in this case to talk to people "on town". One can actually hear the talking taking place in the car after the prime minister had passed the official part of his visit to Greymouth (which was to meet with the affected families). "Can't you stay here so I get a chance to talk to some ordinary people." What he probably *not* said, but thought was: "Do I have some luck there's a photographer nearby."

In today's *New Zealand Herald* a law professor raised an interesting aspect of the Greymouth catastrophe – is the balance between workers' safety and the respect for the environment right? His conclusion of what had happened in Pike River was that it's probably not. The argument was roughly as follows: Since we know that underground mining of coal is very dangerous, mainly due to these toxic and explosive gases, one must ask the question unless open pits shall be allowed even if the external environment will get damaged. I recognized the professor arguing that the environmental movement has got the politicians in New Zealand to go very far – too far – in their concern for nature. The legislation has in practice made it difficult, or impossible, to mine coal in open pits. It should be changed was the professor's message.

I agree. What happened in the Pike River mine in recent days must be one of the biggest workplace accidents in any western country in recent decades. Of course, one hears about accidents in which many people die but it's about ferrys going under, crowds panicking, terrorism or war. Almost never do we in the west hear about several dozen dying in one particular place of work (That there are such workplace accidents with many deaths in China and other developing country, is another matter.) It puts its finger on the political issue – haven't we gone too far If we by law protect nature against external interference, open pit mining in this case, so effectively that people working risk extinction? My answer is yes. No highly developed country should have a law that indirectly may have such consequences. Or expressed more concretely. Either the politicians allow open pit mining of coal. Or ensure that the energy supplies in the country will be overcome without coal.

I'm writing this in a small hotel in Arthur's Pass. I searched for accommodation in Greymouth, and other towns on the coast but found nothing. One day earlier than I had anticipated, I was forced to take the decision to "change coast", in other words to drive over to the east coast. However, it's a journey of some impediment, it's literally a mountain range in the road. So for a few hours the car has taken me up to Arthur's

Pass, about halfway to Christchurch from Greymouth, and against all odds because it was late in the afternoon, I found a place to stay for the night.

Friday, November 26

I have learned today that the road I have been traveling across Arthur's Pass is called the Great Alpine Road (which begins in Greymouth and ends in Christchurch). And it lives up to its name. From Arthur's Pass, I drove today for about two hours in an alpine scenery, not with extremely high mountains, more in the style of the Norrbotten mountain areas, but with the whole range of panoramas. I arrived at Christchurch at lunchtime and choose to return the car. It's actually two days earlier than I had planned. But I got "second thoughts". The idea was to leave the car at the airport on Sunday, I then leave New Zealand to fly to Sydney, but it was perhaps not so clever since I had booked a hotel located right in the center of the city, and since I planned to "do" Christchurch tomorrow. So now the car is returned to Hertz. I had driven the car just over 1000 kilometers in the South Island but all in all in New Zealand it's well over 3000 kilometers. And if one adds to it the approximately 6000 kilometers Hans and I drove in Australia, it won't be so far from 10000 kilometers. It's a most impressive stretch.

Christchurch is the major city in the South Island. That does not mean that it's particularly big as a city by international standards, I would guess that it's the size of Malmö, perhaps 300 000 people living here. After going around a few hours this afternoon, I would say that the central part of the city undoubtedly have a lot of charm, maybe it's because it's small and tangible in the sense of easy to reach by a short walk.

I stay at the Hotel Grand Chancellor, a somewhat antiquated multi-star hotel in the absolute center of the city and by all appearances considerably shaken by the earthquake on 4 September this year. I can say that for sure because of two things. First because when I look out from my room at 24th floor, I see a ruined house, and a street that abruptly ends, in both cases apparently an outcome of the earthquake. Secondly because when entered my room I was met by a letter from the hotel manager, all new guests are of course presented the same letter, in which he talks about the repair work in progress which I as a customer hopefully will have forbearance with. In addition, the letter contains the following wording:

"We are experiencing aftershocks - it is normal for the building to sway when these occur. Take cover away from the windows, either under a doorway or table, and once the aftershock has passed check above you for items that may fall."

When checking in, I wondered a bit about how it come that I got a corner room at the top floor. If you are not a known guests, and furthermore travel alone, you usually don't get such a room. The hotel manager's letter gives probably an explanation. After September 4th one can count on that the most attractive rooms in hotels in Christchurch are located at the bottom of the building.

Saturday, November 27

It's my last full day in New Zealand, and it's time to summarize. What with this country has appealed to me and captured my interest? Which are the positive surprises? And its opposite, what is it that I have felt less attractive, and don't want to

take home? It's also time for a summary of what I think about New Zealand's economy and its ability to overcome the problems that do exist.

To begin with the good and upbeat. Nature is in a class by itself. I wonder if there is any country where such a small area can offer so much of natural beauty. Australia can certainly show up at least the same variability, and at least the same scenery. But the difference is that Australia is a continent where distances between points of interest are long and time-consuming, or *very* long and time-consuming. So not here. It took me no more than a few hours to travel from Paihia in the Bay of Islands, a stunning, lush area with hundreds of islands surrounded by jagged volcanic rock, to Cape Reinga at the top of Northland, a barren landscape of sand dunes and windswept bushes. Or the other day to go from "The Westcoast" with its hilly and inhospitable coastal nature to the flat and fertile farmland on the east coast, and in between for a few hours drive in an Alpine landscape with all that implies of scenery. And I have, of course, despite my 3000 kilometers, seen far from everything in New Zealand. For example I have not visited the bottom, "northern", part of the South Island. It's said that there countryside is something special.

The climate belongs to the positive. One understands that the climate, even during the worst winter, is relatively friendly measured with the Nordic dimension. Otherwise, the nature and the vegetation wouldn't look like it does, and the animals wouldn't be able to go outside all year round.

New Zealanders attitudes towards tourists is worth mentioning in a positive light. I have only met with great kindness and helpfulness. And if I also somehow revealed that I'm a Swede, it appears that the compassion and helpfulness increased one degree.

Another thing that surprised me positively is the Maori's position in the New Zealand society. I had, perhaps influenced by what I've seen of drunken Aborigines in Coober Pedy and of the message in the film *Once Were Warriors*, believed that the Maoris would have major problems in the New Zealand society. And it's possible that there are social problems in some places. But overall the picture is not it. What you see, for example, on Maori TV, is a Maori self-consciousness that is conspicuously big (like the other night when a Maori became world champion in sheep shearing, hitherto a bastion of white men). To me it seems as if the New Zealand politicians truly want to achieve integration of the Maoris in the sense that they can work and live in society as anyone while at the same time they are able to preserve their unique culture and language. It also seems as if that New Zealanders in general want it to be that way. One can see, I think, a genuine interest in Maori culture. There are many "whites" on the Maori sections in the museums. And it's also shown in many other ways. As the other night when it was a big Maori show with dancing and music at one of the TV channels. Most of the enthusiastic audience was "white".

Well, what then has been less good, what surprised me negatively so to speak? The food I would give first place. How is it that a country that per capita produces more food than any other Western country doesn't cook better food? Sure, taste is a subjective thing and you get what you pay for. But given what the Europeans generally like their food to taste, and given the food served at the usual tourist

restaurants (other than McDonalds and other fast food places), I have to say that the food has been disappointing. It's somehow not cooked with esteem and kindness.

Another thing that surprises me is that many New Zealanders are unhealthy fat. It's surprising because if there is something that seems to attract New Zealanders in general, it's sports, and the pursuit of sports. Apparently, that doesn't mean that all are fit and live a healthy life. Many New Zealanders, and primarily white, are wide of the butt and has a big stomach. Since many are short in stature, at least compared to what we are accustomed to in northern Europe, there won't be such an aesthetic experience to watch people on town.

Furthermore, I think I have seen a lack of dynamism in the New Zealand society, at least compared to Australia. That New Zealand is an island far away not exposed to the harsh winds of competition that forces people to become active and enterprising, might be an explanation. And it surely has something to do with the fact that so few people live here. New Zealand becomes a sort of huge village, everyone knows everyone (with some exaggeration). "We are a village" was in fact a phrase used by the Prime Minister the other day when he addressed the nation because of the mining accident. And a village, if we accept the metaphor, has never been a particularly dynamic society.

The lack of dynamics leads me naturally to the question of the economy. There are at least three symptoms that not all is well with the New Zealand economy. The country has lost ground against Australia in recent years, it's the first. Five years ago, an Australian U.S. dollar cost about 10% more than a New Zealand dollar. Today it costs 30% more. It's a clear expression of a loss of competitiveness. Secondly, there is a "brain drain", strikingly many of the country's educated move abroad permanently. The third symptom, and I have mentioned it several times before, is that the country has had a current account deficit for a long time, and consequently been net borrower to the degree that the debt (in percentage of GDP) has grown to become one of the largest among OECD countries.

What is the cause of this adverse development? Well, it's not an easy question to answer. Even the OECD's economists are puzzled. In a report as early as in 2003, OECD said something like given the conditions New Zealand ought to belong to the world's richest countries, or at least moving in that direction. So it does not look.

If I were to summarize my impressions, and had to make an analysis, it would be approximately as follows: There are some basic conditions that New Zealand economy has to contend with. The country is small in the sense that the population is small, a little over 4 million people. This means that the markets are small. It applies to all markets – labor markets, capital markets and product markets. And small markets are not a good breeding ground for economic development, and in particular for the development of high value-added products that are important to create good export earnings and favorable terms-of-trade (which is a measure of price changes for exports versus imports). Smallness means that there are too few specialists and skilled workers, that there is not enough of venture capital, that it's not possible to create clusters of firms in any industry which we know creates competitive advantages etc. The small market disadvantages are reinforced by the fact that New

Zealand is an island far out in the Pacific Ocean. It's simply too far to the major markets, and it is, all else being equal, a competitive disadvantage. It's also possible, I think I have seen such trends, that the geographic seclusion makes the New Zealander a little insular. And if that's true, it's probably no advantage in the competition on markets that are increasingly becoming global.

And there is another factor one can add to this reasoning. Large countries with large domestic markets means relatively higher competition than those of small countries, all else being equal (assuming that markets are reasonably free). High degree of competition is holding back prices. The relatively high price level in New Zealand can probably be explained by the fact that competition here is relatively moderate.

It's my hypothesis that given these basal conditions, and assuming that New Zealand is not like Australia rich in valued commodities, the New Zealand economy is caught in a kind of vicious circle. Or rather, in a downward spiral which, inter alia, takes the form of a growing foreign net debt. In addition, with a tendency to borrow more for every year that goes (That's what made the OECD, and most recently the Standard & Poor's, warning that the country cannot continue on that path.) If one examines this spiral closer, and you can start almost anywhere, you see, for example, that investments are low relative to other Western countries. This applies to investments both in the public sector and the private sector. I have previously written about the apparent under investment in the road network. And judging by what one sees, I would guess that there are big under investments even in the telecommunication sector and in electricity supply. Along almost every street or road, there are telephone and /or power poles. So it looked like in Sweden fifty years ago. Because of the economic structure one can assume that even the business investments in New Zealand are relatively low. Agriculture and agro-industries are not among the big investors. Neither the tourist industry. And mining industries, which can invest very large sums (it's the reason for the comparatively large investments in the Australian economy), is too small in the country to pull up the numbers.

Low investments, and low investments for a long period of time, will have a negative impact on the economy. The relative productivity decreases. The value added in private sector might not develop like in other countries. For instance, I have noticed that the New Zealand export of timber is significant (ranked fifth in the export statistics). When you go through Wellington's port area, there is lots of timber waiting to be shipped away. But timber is an unrefined product that a highly developed country like New Zealand should not export. Minimum would be to saw the timber in the country and sell boards and planks. Or go further up the value chain. I suspect that this "timber-picture" is quite general. It's clear that many of the farm products, like meat and milk, are exported unprocessed. And speaking of the mining accident in Greymouth I read that the coal taken out of the Pike River mine, would be exported to China.

Given this background, it follows that the development of the real wage level in the country is not particularly good compared with how it looks like in other Western countries. Low real wages, and in particular if the real wages stand still over time, means that people in common feel they have a tight economy, and there is not much room to save. It also applies to companies. It would be logical if the relative profitability in the New Zealand private sector is low – and high relative profitability is

a prerequisite for increasing net savings in the business sector. And if savings in a country become sufficiently low, the consequence is that government and companies need to borrow abroad. That's exactly the situation New Zealand economy is in since quite a few years back.

Thus, I have gone around the circle. The natural question now becomes - what to do about a situation like this? Or more precisely, what should the politicians do to break the vicious circle? There is no easy answer to that question. My guess is that when planning the political "revolution" in the mid-1980s, the politicians understood that New Zealand's economy must be radically changed to create competitive conditions to do well in the future. And much of what then was implemented, more free markets and privatization, has certainly served the New Zealand economy well. Still, the economy is in this vicious circle.

There is no "quick fix", I think. But if I were a despot for a few years, say 10 years, I would start by pulling down private consumption by raising taxes and using the resources made available for investment in roads, telecommunications, higher education, etc. I would do everything possible to increase the population through net immigration, but mainly let in the needed skilled workers, not least, I would try to give expatriate Kiwis incentive to come back. I would try to get as much foreign investment as possible to the country, preferably in the form of direct investments which also bring with them knowledge. Why cannot New Zealand do as Ireland, give foreign multinationals through lower taxation a strong incentive to enter the country with their investments? Apparently, there are plenty of banking capital in New Zealand, I have rarely in any country seen so many bank branches in the streets as here. And the many bank branches are probably there because their lending to private sector consumption and investment, particularly in housing, is very profitable. At the same time, I think there is too little of venture capital in the New Zealand economy, in other words capital that's prepared to take the risk of failure for a higher return. And if that's the case, it would have to be "imported" which in practice is tantamount to giving foreign investors the opportunity to earn more money in New Zealand than anywhere else.

Coming to this point in the examination, I feel like I might have been too pessimistic in my analysis, especially if I weigh in that New Zealand also has, in addition to nature, three strategic assets that one cannot ignore, especially not when discussing the long perspective.

First, New Zealand's geographical proximity to the world's new growth centers. It's certainly a considerable distance from New Zealand to China, India, Japan, Korea and other Asian economies that grow quickly, or are affluent, but no matter how you calculate, distances are shorter than to the U.S. and Europe. It's hard not to argue that the geographical location today is an economic asset for New Zealand.

The language and the Anglo-Saxon culture is the second. The fact that English is the native language, and the culture in general is Anglo-Saxon, means in practice that the country has a competitive advantage in the global market. The highly developed democracy and the well-proven institutions, such as law and justice, that come with the strong British influence, is also a plus for competitiveness. It's no coincidence that

New Zealand, for example, will always rank low in terms of the degree of corruption. In the 2009 so-called Corruption Perceptions Index New Zealand was "Least Corrupt" According to a recent survey of corruption in the New Zealand, it was characterized as "virtually non existent".

Thirdly, New Zealand has an entrepreneurial climate. After the radical shift in economic policy in the 1980s, the country has got a reputation for offering an entrepreneurial and market-oriented climate. As a curiosity it's worth mentioning that it only takes 12 days on average to clear all the necessary red tape for starting a business in New Zealand. It's far less than in most other comparable countries.

Will New Zealand sometime in the future be able to get back to being the world's second richest country in terms of GDP per capita (as it were in the beginning of 20th century)? It's not likely. Partly because this relative richness was artificial, New Zealand had a kind of concession to supply its agricultural products to, at the time, the world's richest country, England. As late as 1955, England took 65% of New Zealand's exports, today 4%. Partly because of the three "basics" I have commented on, and which cannot be influenced by politics. But I'm sure that New Zealand can increase its ranking considerably from today's position with a farsighted and smart political strategy. Ireland, which have a population only somewhat larger than New Zealand's, managed to become one of the richest countries in the world, in 2009 ranked as the 18th richest country (that was before the acute difficulties of the country came to the surface, the ranking will not be as good next time), significantly higher on the list than, say, Sweden on site 30. Not long ago, Ireland was Western Europe's poorest country. Obviously, it's possible to make such a journey in living standards and welfare.

Otherwise, this Saturday passed calmly seen from my perspective. For the first time in weeks I have not driven a car. I've strolled the streets of Christchurch, the city is as I said not bigger than you can walk to almost everything worth seeing. The weather has been glorious, 25-30 degrees and sunshine. It becomes a bit absurd, in any case it seems contradictory to me, to go on the Christmas market in such weather. But that's what the Christchurch residents have done today - and also I have done. I have also been to the Christchurch Art Gallery and it was interesting to mainly one reason. There was a large exhibition of Ron Muecks sculptures.

Somewhere in the back of my head, I had a feeling of having heard of Ron Mueck. This I understood when I came into the showroom and on the floor got to see *Dead Dad*. There lies a naked man so lifelike that you really feel that there must be a dead man. But it is not, you understand without analysis, the body is only a third as big as a real human being. Otherwise it's true in every detail. One gets provoked, at least interested. And it's here that I realize that I read somewhere about *Dead Dad*, and the sensation the sculpture, and the artist, did when it first was exhibited in London about fifteen years ago, and afterward gave Ron Mueck more attention than most living artists.

And I understand that. It's very rare me being so affected by an art exhibition. There are a lot of people at the show, including many children. Most of them are fascinated, it can be seen on the intensive discussions. Surely, some are intimidated of what

they see. A naked pregnant woman, three meters high. Two old women in a conversation, only two feet high with outer clothes on. An absolute newborn baby, nude, five meters long with the umbilical cord and streaks of blood left on the body, etc. It's so realistic that you think it's authentic despite knowing that it's not. The basic idea is simple – true to real life in the wrong proportions. But that idea is in itself a contradiction. It's nevertheless interesting and remarkable. The question is if it's art?

Putting the question this way, it's understood that I know what art is. I'm not at all sure that I know. But I would argue that art has a few characteristics, not that an artist must fulfill all these, but at least some. First, art provokes, it's something that makes me as a viewer think, feel, become angry etc. There is no doubt that Ron Mueck's sculptures meet that criterion. Secondly, art breaks new ground in the way of expressing something. That criterion I believe characterizes all the great art and great artists. Picasso is the most obvious example I can think of. But Ron Mueck is also an innovator in that sense. Thirdly, art tells us something important that could otherwise be difficult to see or understand. Like when Dennis Hopper conveys emotionally coldness and loneliness in American everyday society. I'm not sure if Ron Mueck meet that criterion. A fourth characteristic of some art (but certainly not for all art, and not for Ron Mueck's) is that it wants to kill myths or outdated thinking, the artist has, consciously or unconsciously, a political message. Niki de Saint Phalle's "She" is an example of that.

Sunday, November 28

I'm sitting at the airport in Christchurch and have only one hour left in New Zealand this time. There is nothing of interest to tell from today (apart from that the man who drove me out here was a nice New Zealander who has lived in Stockholm as a young man, and semi spoke Swedish).

It's time to put an end to the diary.