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Safe or Sorry

From government bodies to MNCs and local companies, stakeholders at all levels are working to manage the risk of natural disasters in China. According to Zheng Guoguang, director of the China Meteorological Administration, the probability of typhoons, droughts and flooding in China is higher this year than it has been over the last decade. The culprit: climate change. “The situation is urgent,” warned Zheng at a conference on weather forecasting held in May. “Temperatures in most areas will be higher this year than in

Risks (Shanghai), is that many companies are insufficiently prepared to handle the consequences of a natural disaster. “Quite a few companies have prepared for a specific issue, for instance pandemic planning, but there are still quite a few companies where crisis management planning has not been a priority so far.”

Government protocol

According to the Ministry of Civil Affairs, in 2006, natural disasters in China resulted in the loss of over 3,000 lives and RMB252 billion in economic losses. Swiss Re’s report projects that the impact of a single major disaster could be extremely heavy: “In terms of total economic losses, such a major disaster could exceed RMB1 trillion, equivalent to approximately 6 percent of China’s GDP [in 2005].”

As a result, the Ministry of Civil Affairs and the State Disaster Reduction Commission, established in 2004, have worked together to prepare comprehensive guidelines for disaster relief, which include emergency response plans at the national, departmental, provincial and municipal levels. Authorities stress the use of advanced technological devices, including land, meteorological and ocean satellites, for effective monitoring and forecasting to feed early warning systems. Improved public awareness and interagency cooperation are also central to the government’s plans.

In November 2006, China teamed up with the United Nations (UN) Development Programme to launch the Disaster Risk Management project to improve coordination on risk assessment between different agencies, including the Ministry of Civil Affairs, the State Disaster Reduction Commission, the China International Center for Economic & Technical Exchanges and the UN Disaster Management Team, using a community-based approach. Pilot programs in 10 communities across five disaster-prone areas provide community members with computers and information systems

previous years, and typhoons are expected to arrive in larger numbers than last year.”

Recent heavy rainfall in southern China forced 600,000 people to evacuate their homes, drove factories and enterprises to shut down and caused an estimated RMB1.5 billion in property damage. Ongoing severe drought conditions in Gansu Province have affected 730,000 people and parched 300,000 hectares of crops.

In addition to incidents tied to global warming, other natural disasters also threaten China. According to a 2006 report published by Swiss Reinsurance Company (Swiss Re), *Natural Hazards in China: Ensuring long-term stability*, earthquakes pose the greatest threat in terms of fatalities and economic costs: 677 large cities are situated in zones of high intensity seismic activity (VIII or higher on the Modified Mercalli Intensity Scale). On June 4, an earthquake registering 6.4 on the Richter scale hit Ning'er County in southwestern Yunnan Province, causing the collapse of 90,000 homes and displacing 180,000 people.

The problem, according to Peter Commeyne, Director of Crisis and Security Consulting Control

Meteorologists warn: 2007 is a year ripe for natural disasters. Companies familiarize themselves with government protocol and develop continuity plans to prepare.

Providing disaster relief

Large-scale disasters in 2004 and 2005 resulted in a reevaluation of the role of the private sector in disaster management. While corporate contribution to disaster management has traditionally been in the form of monetary or in-kind donations, an emerging trend in the aftermath of the Asian tsunami and Hurricane Katrina is an increase in the donation of services to disaster relief efforts. Logistics companies are particularly well-placed to contribute their services to relief efforts, according to an Economist Intelligence Unit report, *Disaster-response management: going the last mile*.

Within China, the partnership between the public and private sector in the realm of disaster management continues to grow. In May 2007, the Ministry of Civil Affairs and the Asia Foundation, a non-profit, non-governmental organization, issued a report entitled *The State of Corporate Participation in Disaster Management in China* as part of a new two-year project aimed at expanding the role of the private sector in disaster management. The project also organizes private sector disaster management workshops, including a recently held workshop in Shanghai in partnership with the Chinese Enterprise Confederation and AmCham Shanghai. While the report stressed the importance of increased private sector participation in disaster relief efforts, several obstacles exist: the absence of corporate safety culture, low awareness of corporate social responsibility, insufficient legislation on donations to charity and flaws in existing tax incentives.

to monitor risks and communicate local conditions to central government authorities.

Gaurav Ray, international disaster management consultant to the Asia Foundation, emphasizes that companies must recognize the wide range of stakeholders involved in dealing with such crises, including the government, local authorities, the UN and partners within and across industries. Effective communication between these bodies is crucial to the success of disaster relief efforts. "There has to be some degree of learning from all stakeholders who partner in this kind of an initiative," maintains Ray.

In "Managing Disaster Risk in a Mega-City" published in the World Meteorological Organization's official journal *Bulletin* last October, Dr. Tang Xu, director-general of the Shanghai Meteorological Bureau, examines Shanghai's plans for disaster reduction. The plan involves a simultaneous top-down/bottom-up approach, ensuring that stakeholders at all levels participate in the process. Multi-hazard monitoring systems, including lightning localization systems, wind profilers and mobile meteorological stations, have been put into place across the city. Community supervisors are responsible for initiating emergency response plans in residential communities where rehearsals of these plans are conducted regularly.

Business continuity planning

As more MNCs move their regional headquarters to major cities such as Shanghai, the need for business continuity planning, tailored to the Chinese framework, is greater than ever.

Says Commeyne: "We always recommend putting together a robust crisis management plan that would help manage any type of crisis."

The first step is to identify the risks, says Keith Rutledge, director of services sales, global technology services at IBM China, which offers a host of services to assist companies in developing contingency plans. In Shanghai, for example, the major risks facing companies are weather-related, such as typhoons, and subsidence in areas east of the Huangpu River. "Prioritize the risks and determine which risks merit a plan," says Rutledge.

A company then needs to take into consideration

which clients and lines of business are most critical to the company, how clients and employees will get access to the business in the case of a significant event, how quickly the company can resume operations, its level of vulnerability to each risk and the impact on company operations. Companies can use the information as a framework to develop business recovery strategies.

The responsibility of business continuity planning often falls on IT personnel, according to Alan Li, solution design and service offering manager, South China and Hong Kong for AT&T Business. "A lot of companies are using the network or using technology to conduct business; therefore, they put a very high focus on IT to be responsible for recovering the servers and network," explains Li. He recommends, however, that other divisions of a company, such as legal and human resources, also participate in the process of developing a contingency plan in order to ensure that all aspects of the business's operations have been thoroughly examined.

Once a plan is in place, Rutledge stresses the importance of testing the plan periodically and over-communicating to employees not only the plan itself but also where to find this information in the case of an event.

"In China, there's some work to be done," Rutledge says. "There is a tolerance for risk in China that is greater than in other geographies, and many of our clients would benefit from better business continuity planning."



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