



19 April 2012

SAU/NZ/1

Minister of Foreign Affairs  
 ► Minister for Primary Industries

For consideration by 27 April 2012

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**LIVE SHEEP – UPDATE**

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**Submission:** Issues

**Purpose:** The purpose of this submission is to seek your approval to the proposed pathway towards resolving the Saudi live sheep issue.

**Comments:**

**Recommended referrals**

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Prime Minister	For information
Minister of Trade	For information
Associate Minister for Primary Industries	For information

**Contacts**

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Hamish MacMaster	Director	Middle East and Africa Division
Chris Carson	Director	International Policy MAF

s 9(2)(a)

**Minister's Office Comments**

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Signed / Referred  
 Date: \_\_\_ / \_\_\_ / \_\_\_

## Key points

- Following your (MFA) discussions last month with the principal Saudi sheep investor, Hmood Al Khalaf, officials from MFAT and MAF have been working on a pathway forward for the live sheep issue.
- Officials now propose to begin a number of work streams required to give effect to our commitments made to Al Khalaf. As part of this, it is also proposed to set up a working/steering group, consisting of specialist subject and regional experts to implement the joint venture element of the work streams. The work streams are, in brief:
  - The establishment of protocols for the export to Saudi Arabia of live sheep for breeding
  - The establishment of a joint venture sheep breeding operation in Saudi Arabia
  - Finding an appropriate mechanism to meet Al Khalaf's concern for "compensation" (possibly through the joint venture)

s 6 (a)

- It is proposed that the Joint Venture Working Group and the team negotiating animal health protocols be kept separate and at 'arm's length'. This will keep those involved in working on the government-to-government arrangements separate from those working on providing technical, commercial and farm management advice, to avoid any real or perceived conflict of interest;
- Your agreement is sought for this Joint Venture working/steering group to be overseen by a Special Representative or Special Envoy for Food Security Issues. This role could desirably, be recruited in consultation with key industry stakeholders, for instance the Meat Industry Association (MIA). Potential candidates would include s 9(2)(a)
  - There are also ex MAF/NZFSA officials who may also be appropriate.

- Proposed next steps are:

s 6 (a)

- despatching small delegations to the Kingdom of Saudi Arabia, as appropriate, including the possibility of a visit by MFA this year, to signal our good faith to the Saudi sheep investors - and to scope, plan and execute the agreed work streams;

- putting in place a New Zealand entity which would operate as the joint venture partner (with consideration being given to whether Mr Al Khalaf be invited to be part of this entity) and identifying and approaching an appropriate KSA partner.
- funding the above work streams from an expanded Trade Access Support Programme (TASP) given development assistance funding will not likely be available for Saudi Arabia; and seeking approval for a new funding allocation to the New Zealand side of the joint venture breeding operation (i.e. as a means of dealing with Al Khalaf's compensation request).

### Recommendations

It is recommended that you:

1. Approve the establishment of a Joint Venture working/steering committee, to be fronted by a Special Envoy, and with MAF / MFAT involvement. Yes / No
2. Agree to officials consulting with the Meat Industry Association and Beef and Lamb New Zealand to identify suitable persons for the role of Special Envoy, and to sound out potential candidates. Yes / No
3. Agree to officials approaching the Saudi government in order to discuss the proposed solution to the live sheep for slaughter issue; involving the establishment of a joint venture to export breeding stock to KSA and the conclusion of associated veterinary arrangements for breeding animals; and Yes / No

s 6(a)

4. Agree that the cost of establishing veterinary protocols to enable the export of sheep for breeding to Saudi Arabia; and also the s 6(a) (if agreed), should to the extent possible be met from within the existing \$450,000 annual allocation to the Trade Access Support Programme. Yes / No

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| 5. | Agree to officials proposing a Cabinet submission to cover the funding of the potential New Zealand contribution to a joint venture breeding operation in the KSA as a means of securing Mr Al Khalaf's cooperation. | Yes / No |
|    |  |          |
| 6. | Agree that officials investigate the possibility of a visit by MFA to Riyadh to reinforce to the Saudi authorities that New Zealand has begun a process of constructive bilateral engagement on this issue.          | Yes / No |

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

Chris Carson  
for Director-General MAF

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## REPORT

Since your (MFA) meeting last month with key Saudi sheep investor, Hmood Al Khalaf, you have written to Mr Al Khalaf re-iterating the key areas of discussion and follow-up action. Our Embassy in Riyadh reports that the letter was well received.

s.6(a)

Meanwhile, Saudi investors have continued to press on particular two aspects:

- the negotiation of an Arrangement on the trade in live sheep for slaughter, removing the contentious elements of extraterritoriality from the previous drafts;
- their strong desire to see a trial shipment (for slaughter) to prove the animal health and welfare levels of their vessels.

s.6(a)

Against this background, your agreement is sought to progress the various work streams in the manner suggested below:

### *i. Establishment of veterinary protocols for the export of breeding animals*

3 Officials believe that if supported by Saudi Veterinary Services, animal health protocols for the export of live sheep *for breeding* should be able to be agreed in a relatively short period. It is probable the focus would be on transport by air shipment given the likely small numbers involved. This work is normally cost-recovered from exporters to cover MAF's staff and other costs. In this case, however, it should be possible to secure funding from the Trade Access Support Programme to cover these costs. An exchange of letters to put in place the necessary technical framework for the breeding programme may also be required for the breeding programme work to proceed.

### *ii. Food Security Partnership and the joint venture*

4 A small technical team (the working/steering group) is being assembled to address the range of complex commercial issues around the proposed venture. This will be in part informed by the nature of Al Khalaf's existing holdings in Saudi Arabia –

s.6(a)

5 We envisage that the technical team would include:

- a specialist on irrigation and grass or crop production (on the assumption being that feed would be grown *in situ* as opposed to being imported);
- a specialist on animal management in hot climates, especially around housing requirements;
- and a specialist in processing and marketing in the region;
- MAF and MFAT (TND / MEA) officials as required;

and would be fronted by:

- a Special Representative or Special Envoy, should Ministers wish to appoint one.

6 Several potential candidates who may be suitable to undertake the Special Representative/Envoy role suggest themselves. This role requires a combination of knowledge of the New Zealand meat industry with a background in international relationships. Potential candidates include:

s 9(2)(a)

7 The technical team [or 'working/steering group'] (Para 5) would scope a possible venture - including investment needs and commercial viability - before consulting again with Ministers and opening negotiations with Al Khalaf.

s 6(a)

s 6(a)

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14 Given this divergence of views, officials are seeking advice as to which course of action is preferred by Ministers.

The remainder of this document is withheld under s 9(2)(a)