

3.5 Governance and Project Management:

The project has several layers of governance, and project support which is outlined below.

Contract structure

The funding agreement between MFAT and Brownrigg Agriculture as lead provider allows for flexibility in delivery of the project given the unique circumstances in which it is being delivered. The iterative nature of having a robust design and implementation plan ahead of formalising all project work streams reduce risk in scope creep and project execution.

Governance Group

NZTE and MFAT are both represented on the Governance Group with two representatives of Brownrigg Agriculture (David Brownrigg and independent Chairman, Mike Taylor). Al Khalaf is also represented on this group Ex-Officio through Awassi New Zealand.

The Governance group is responsible for agreeing the individual work stream deliverables, before these will be approved contractually between NZTE and Brownrigg. The Governance Group itself has the ability to vary from each workstream by 15% only.

Project Management

Recognising the complex and technical nature of the project, NZTE has undertaken a number of measures to ensure the success of the project.

- Employed technical Project Manager, Peter Bailey. Peter is an experienced agricultural consultant, having worked on similar projects for the Government of Victoria, Australia. Peter has also worked for LHC, Fonterra and PGG Wrightsons.
- Managed the project through the Agribusiness High Impact Programme team, noting the strong connection to similar companies.

3.6 Government Stakeholders and Oversight

At the directive of Cabinet, MFAT has been required to engage closely with a number of Government Ministries including NZTE, Treasury and the Office of Control and Auditor General.

Treasury

Treasury has been informed of development of the projects to date and will continue to be briefed following each steering group meeting.

Office of Control and Auditor General (OCAG)

The OCAG has engaged with MFAT in some detail on this project, and although they are not entirely comfortable with the business case rationale for the project given its diplomatic nature, accept this but withhold the right to change opinion should they later audit the project.

NZTE will make it clear to MFAT (by letter and in the novation agreement) that any issues or liability relating to the rationale of the project, including compliance to Government policy and legal obligations that arise before the novation will remain with MFAT.

Ministry for Primary Industries (MPI)

NZTE and MFAT are working closely with MPI, with Minister Guy likely to travel to Saudi Arabia in February to sign the Livestock Protocol. Close engagement will continue as we work toward the likely airfreight shipment in 2014 and the sea shipment in 2015.

4 FUNDING / BUDGET

4.1 Funding/Budget Implications

50 Total baseline budget implications for NZTE total \$750,000 for FY 13/14 and FY 14/15. This funding has been rolled over from an initial budget in FY 2012/2013.

Total project spend:

	NZTE	MFAT
Project Management and OPEX	\$250,000	N/A
Saudi-NZ partnership	0	\$4,000,000
Agribusiness Hub	\$500,000	\$5,500,000
Agribusiness Hub project expansion*	0	\$1,500,000*
Total	\$750,000	\$11,000,000

* to be approved by Minister(s).

Agribusiness Hub: Calculation of funds transfer to NZTE

Initial Agribusiness investment	\$5,500,000
+ expansion investment	\$1,500,000
+ NZTE investment	\$500,000
Total Agrihub investment	\$7,500,000
Less MFAT Brownrigg costs to date	\$500,000
Less NZTE investment	\$500,000
Transfer from MFAT to NZTE	\$6,500,000

pages 4-13 withheld under sections
s9(2)(b)(ii) + s9(2)(ba)(i)

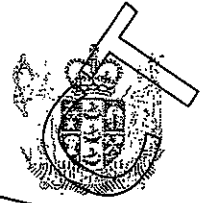
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NEW ZEALAND
FOREIGN AFFAIRS, TRADE

31 January 2014

Minister of Foreign Affairs



For action by 7 February 2014

SAUDI ARABIA: AL KHALAF PARTNERSHIP

SUBMISSION Issue

PURPOSE This submission suggests an option for accelerating the Saudi food security partnership with the Al Khalaf Group.

8661
59(2)(j)

Recommended referrals

Minister of Trade

Minister for Primary Industries

Minister for Economic Development

For information by

3 February 2014

For information by

3 February 2014

For information by

3 February 2014

Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Jonathan Austin	Divisional Manager	MEA		
Jonathan Curry	Lead Adviser	MEA		

Minister's Office comments

Signed / Referred

Date: ____ / ____ / ____

SAUDI ARABIA: AL KHALAF PARTNERSHIP

Key points

- The partnership with Al Khalaf Group in developing a demonstration breeding farm and operation is progressing well, with the contract in place and detailed design work under way in New Zealand and construction in Saudi Arabia.

Note that a protocol enabling the transport of breeding stock has been negotiated between New Zealand and Saudi Arabia, and is awaiting signatures by the respective Agriculture Ministers in March.

- The arrival of sheep, could be accelerated by sending an airfreight shipment. This would also provide information on the performance and welfare of New Zealand cross-breeds in Saudi conditions, underpin the science of the larger scale breeding programme envisaged under the partnership, and provide data that would be used to reduce the risk associated with a large delivery of animals in the first consignment.
- A one-off airfreight shipment of around 1000 sheep would cost up to NZ\$1.5m. Funds are available for transfer from MFAT to NZTE for this purpose.

Recommendations

It is recommended that you:

- Note** that a contract is now in place for the Al Khalaf partnership and good progress is being made with implementation. Yes / No
- Yes / No
- Agree** that an airfreight shipment of sheep should be sent in an attempt to remove this objection earlier than November 2015. Yes / No
- Agree** that NZ\$1.5m should be allocated to allow this to occur and that these funds should be transferred from MFAT to NZTE for this purpose. Yes / No
- Note** that to enable this it is proposed that to vary the contract for the lead provider for the NZ-Saudi Agrihub before, subject to NZTE board agreement, the contract is passed to NZTE for implementation. Yes / No

John Allen

Secretary of Foreign Affairs and Trade

SAUDI ARABIA: AL KHALAF PARTNERSHIP Report

Update on Al Khalaf Partnership:

1 In February 2013 Cabinet agreed to invest in a pilot agribusiness operation with Al Khalaf Group in Saudi Arabia as a means to resolve a long-running dispute with Saudi Arabia and as a basis to form a food security partnership with the Kingdom.

2 Good progress is being made with our partnership. A public tender led to three applications to design and develop the NZ/Saudi agrihub. These were considered by a review panel including MFAT, NZTE, and independent consultant ~~59(2)(a)~~, the former CEO of Landcorp. The panel recommended the contract be awarded to Brownrigg Agriculture.

3 The contract is being overseen by a steering group comprising New Zealand officials and representatives of Al Khalaf. The intent is that NZTE will be responsible for managing the contract following the initial design phase. NZTE has been closely engaged in contractor selection and contract negotiation, and its board will be asked to approve NZTE involvement when it meets on 13 February. In the meantime, MFAT has taken the initial position on the contract and committed \$1,000,000 to the first phase of implementation.

4 Brownrigg Agriculture has moved quickly to contract implementation, having already visited Saudi Arabia with a team of experts, and is in the process of designing the agrihub (animal feed and water use, breeding and fattening units, a processing unit), and selecting which New Zealand technologies will be utilised and showcased in the breeding farm and operation. A detailed design and implementation plan is scheduled to be delivered by March 2013.

5 Separately, MFAT and NZTE officials have visited the Al Khalaf farm near Damman where much of the proposed activities will be based. It was apparent that the Al Khalaf Group is investing substantially in anticipation of the partnership activities: up to NZ\$100m worth of breeding, feeding and processing facilities are under development and construction.

Political Developments:

6 Our agreement to the export of livestock for breeding and a restorative partnership with Al Khalaf intended to create at the same time a model for broader food security partnership activity in the region. This has been well received in Saudi Arabia, around the Gulf, and by the GCC Secretariat. Assuming all goes as planned we have cause to be optimistic ~~56(a) & 58(2)(j)~~ and are already enjoying some early fruits: the JEC process with Saudi Arabia has been rejuvenated; you signed a cooperation arrangement with the GCC Secretariat during your visit to Riyadh on 21 January; and our efforts to address Al Khalaf's grievances have been explicitly linked by one GCC

SAUDI ARABIA: AL KHALAF PARTNERSHIP

Sovereign Wealth Fund to a renewed investment interest in NZ. We cannot afford to take this for granted, however.

7 The next step in the process is to sign a protocol for the export from New Zealand to Saudi Arabia of livestock (including both sheep and cattle) for breeding. This arrangement will be signed during the proposed visit of Minister Guy to the region in the first week of March. Separately, arrangements are being made for Saudi agriculture officials to visit New Zealand in March to inspect animal export arrangements. That visit will be followed up by the first New Zealand/Saudi Arabia Joint Economic Commission (JEC) since 2010. Minister Balghunaim will head the Saudi delegation to the JEC, to be held in New Zealand and hosted by Minister Groser over the period 9-11 April.

Shipment timing

8 The Al Khalaf Group is keen to proceed with the export of breeding animals from New Zealand, preferably using a new state-of-the-art vessel it has been building in Singapore. This vessel will carry up to 50,000 sheep in fully enclosed and considerably more advanced temperature-controlled conditions. The performance of the vessel has yet to be tested, however, and its launch date has been repeatedly delayed.

9 Current technical standards, which are based on Australia's, for the export of animals by sea do not allow the shipment of pregnant animals between 1 May and 31 October, due largely to the temperatures on board ships in the Gulf at this time of year. Although Al Khalaf has indicated a desire to have these changed based on the controlled temperature conditions onboard its new vessel, it is unlikely that performance data would be available this year to persuade either Australian or New Zealand regulators to change current rules. Al Khalaf Group could apply for the certification required to export non-pregnant breeding animals during the April to October period but this would go against their wish to have "New Zealand made" lambs and reduce the economic viability of the exercise. In any case, regulators are unlikely to allow a shipment which would have animals arriving in the Gulf in the very high summer heat.

10 Mindful of the pressure to have sheep in Saudi Arabia in 2014, Al Khalaf has indicated a desire to make a shipment this year. Due to the regulations, November is the first available opportunity. This timing will be challenging: it is well outside the mating window for New Zealand ewes and performance of the breeding animals is likely to be significantly degraded.¹ A shipment this year would not be in the interest of a longer-term breeding programme and food-security partnership between New Zealand and Saudi Arabia.

¹ Sheep have a 145 day gestation period. Pregnant sheep may not be transported by sea when they are more than 96 days pregnant. If a shipment was made on 1 November, this would require impregnation in late July, well outside the February-April regular mating time in New Zealand. This is expected to have a significant detrimental effect on impregnation rates and lambing percentages.

SAUDI ARABIA: AL KHALAF PARTNERSHIP

11 An alternative approach would be the one-off airfreight shipment of a small research flock of up to 1000 animals. This would:

- provide earlier 2014 demonstration to the Saudis of the sincerity of our efforts to solve this problem.
- allow the partnership to scientifically research the performance and welfare of different cross-breeds, in advance of a larger, and economically viable, shipment of breeding stock.

12 The timeframe for an airfreight shipment in 2014 would be as follows:

Activities	Monthly timelines	Number of Days	Temperature in Saudi Arabia (average "high" C)
Purchase 2,000 ewes	February 2014	-120	23
Graze & hold ewes in isolation (quarantine)	March to June	-120 - 0	23 - 27 - 32 - 38 - 41
Mating of ewes	June	0	41
Scanning of ewes for pregnancy, select and retain 1,000 best pregnant ewes for export	September	70	40
Pre-condition nutrition of ewes for export	September/October	70 - 115	40 - 34
Ewes depart New Zealand (flight)	October	115 (as per protocol)	34
Ewes arrive in Saudi Arabia	October	115	34
Ewes begin lambing in feedlot	November	155	27
Lambs weaned from ewes	February 2015	250	23

13

14 The Al Khalaf Group has indicated a willingness to experiment with an airfreight shipment but has said it is not economically viable for them to do this alone. It would

SAUDI ARABIA: AL KHALAF PARTNERSHIP

want significant financial support from New Zealand. An airfreight consignment is technically straightforward and there is recent experience airfreighting cattle and horses from New Zealand. Due to the small numbers as well as short and temperature-controlled transit, the regulations around air transport of live animals are much less onerous than for seafreight. The cost of an airfreight shipment (livestock, aircraft charter, fuel, fit-out, veterinary and related costs) is estimated at up to NZ\$1.5m. Associated costs in Saudi Arabia would be met by Al Khalaf.

15 It is proposed that the arrangements for the airfreight shipment would be managed by the Agrihub lead provider, Brownrigg Agriculture, through a variation to their existing contract with MFAT (which is intended to be novated to NZTE via a separate process). The company is highly experienced with live animal exports by air. Purchasing the research flock would need to take place within the next few weeks, however, if transport arrangements are to be made in 2014, so that the ewes can be mated prior to shipment during the New Zealand 2014 mating season.

16 Once the protocol has been signed and the research flock delivered to Al Khalaf Group in Saudi Arabia, any subsequent shipments by either air or sea would be a commercial matter for Al Khalaf Group to pursue. The baseline data from the research flock would then be used to make the case for regulatory approvals for these shipments.

17 MFAT has funds available within the 2013/14 FY budget to accommodate this cost. As noted above, it would not be viable for this to be funded commercially, and the data obtained from the research flock would also be valuable to both New Zealand and Saudi regulators. As with the broader contract, however, officials consider that it would be more appropriate given the scope of the MFAT appropriation for these funds to be transferred to NZTE so as to allow NZTE to fund the shipment via the contract with the Agrihub lead provider, Brownrigg.

**Declaration of Interest(s) – under the New Zealand Trade & Enterprise
Disclosures of Interest Policy**
Refer to NZTE policy on SuperTED for guidance.

Declaration

I, David John Brownrigg ← MIKE TAYLOR
(Full Name)
Director of Brownrigg Agriculture Group Ltd (BAGL) MICHAEL CRAIG TAYLOR (BAGL)
(Position / Job title / Office location)

As an employee of / contractor to * New Zealand Trade & Enterprise ("NZTE") I declare I do not have any:

- Direct or indirect interest in any arrangement, agreement, or contract made or entered into by NZTE or that (as far as I am aware) NZTE is proposing to make;
- Personal interests that may give rise to a conflict of interest, potential conflict of interest, insider trading or potential insider trading, in relation to NZTE or any of its current clients.

Other than as set out below:

- Enter "nil" in all columns if none to be declared
- Attach a page if you need more space (note, please initial any additional pages)

Interest Categories

Financial Has a financial value or Party is expected to gain some financial benefit or loss from the interest.
Gifts / Hospitality received Has received gifts or hospitality greater than \$200.
Professional Having professional contacts with other organizations, association and trusts.
Research Where research is funded by an independent organisation and this funding may compromise or appear to compromise the design, conduct or reporting of the research.
Whanau / Relationship Whanau relationships, acquaintances and friendships which could be perceived as a conflict.
Non-Financial An employee's position or authority is used to influence or make decisions that lead to any form of personal gain for that employee, member of their family or personal associates.
No Conflict Party has registered no conflict.

Interest Categories	Name of other party	Details – include number of shares if applicable
<i>Example: Financial</i> <i>If you are handwriting, please print legibly.</i>	<i>ABC Limited</i>	<i>Director</i>
Financial	On Farm Research Ltd	BAGL own 50% D J Brownrigg a director
Financial	BL Land Co Ltd	BAGL own 50% Lowe Corporation Ltd own 50% D J Brownrigg a director of BL Land Co Ltd

I will seek the specific approval of my Manager before pursuing any personal interest that could involve a real, potential or perceived conflict of interest.

Signed:

Date:

24 January 2014

DAVID BROWNRI GG

MIKE TAYLOR

MIKE TAYLOR

Saudi-NZ Agri Hub
Governance Group Meeting Minutes
28th January, 2014

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Withheld under sections
s9(2)(b)(ii) + s9(2)(ba)

SAUDI-NZ AGRI HUB

Governance Group Meeting

10.00 am, Tuesday 28th January, 2014

Brownrigg Agriculture Boardroom

Hastings

Agenda

Attendees: Mike Taylor

David Brownrigg

Alex Matheson

Haylon Smith

John Austin-Smith – Minutes

Paul Muir

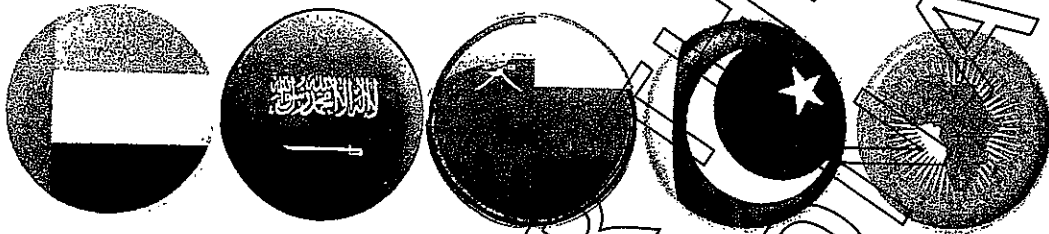
1. Role of the Governance Group, Responsibilities, Appointment of Chairman, etc
2. Update on Airfreight Option for 2014
3. Progress Reports:
 - Sheep Breeding
 - Forages
 - Feedlots
 - New Technologies
 - Abattoir
4. Conflicts of interest
5. External Communications
6. Progress Payment No 2 Due 31 January, 2014
7. Other Business - Future Meetings
8. Appendices
 - Trip Report

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *out of scope* SAUDI ARABIA, I

19 - 28 JANUARY 2014

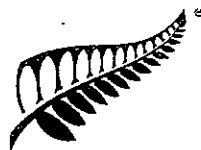


**Visit by Hon Murray McCully
Minister of Foreign Affairs**

out of scope

Saudi Arabia

out of scope



**NEW ZEALAND
FOREIGN AFFAIRS & TRADE**

[RESTRICTED - NEW ZEALAND EYES ONLY]

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *Out of scope* SAUDI ARABIA,

19 - 28 JANUARY 2014

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Map of the region

Overview of the visit

Contact Details

Out of Scope

There is no page 2 in this document

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *Out of Scope* SAUDI ARABIA

19 - 28 JANUARY 2014

Out of Scope

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Minister of Foreign Affairs - H.R.H. Prince Saud bin Faisal bin Abdulaziz Al Saud	70
Secretary General of the Gulf Cooperation Council - Abdul Latif bin Rashid Al Zayani	72
Minister of Agriculture - Dr Fahd Balghunaim	75
Minister of Finance - Ibrahim Abdulaziz Al-Assaf	78
Crown Prince, First Deputy Prime Minister & Minister of Defence - H.R.H. Prince Salman bin Abdulaziz Al-Saud	80

Out of Scope

Pages 5 to 64 are out of scope

19 - 28 JANUARY 2014



Part 2 - Saudi Arabia

Out of Scope

Trade and economic relationship

Out of Scope

3 The agribusiness partnership with the Al Khalaf Group has the potential to develop into a broader food security partnership with Saudi Arabia and could present new and

19 - 28 JANUARY 2014

lucrative opportunities for New Zealand companies. In Saudi Arabia, and across the Gulf more broadly, food security is an important preoccupation due to the virtual absence of arable land. This makes New Zealand a natural partner. The current value of New Zealand agricultural exports to Saudi Arabia and the wider Gulf countries could be increased by securing the entry into force of the FTA and exporting higher value products and services.

Out of Scope

Sb(a) + S9(a)(j)

Over the past year, New Zealand has made a serious effort to resolve this and we have worked with Saudi ministerial counterparts, officials and commercial partners to:

- Conclude a protocol enabling the export of live pregnant ewes for breeding. We hope to sign the protocol during a potential visit by Minister Guy to Riyadh (possibly in February);
- Settle commercial issues with a prominent Saudi investor in NZ;
- Set aside \$6m of NZ Government investment for a pilot programme to transfer agricultural expertise to Saudi Arabia, partnering with Saudi interests;

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HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA,

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- Engage, both bilaterally and through the GCC, to better understand the Kingdom's and region's food security needs - and where we may best assist.

s6(a), s(9)(2)(j)

Your meeting with Minister Balghunaim presents an opportunity to reinforce our commitment to the export of livestock for breeding purposes and the wider food security partnership, highlighting that once the Protocol is signed (most likely in February 2014) resumption of trade will become a commercial decision beyond the scope of the NZ Government

s6(a), s(9)(2)(j)

s6(a), s(9)(2)(j)

Political relationship

Out of Scope

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *Out of scope* SAUDI ARABIA,

19 - 28 JANUARY 2014

Minister of Foreign Affairs - H.R.H. Prince Saud bin Faisal bin
Abdulaziz Al Saud

Update the Foreign Minister on progress in resolving the live sheep issue,

Out of scope

s6(a), s9(2)(j)

Out of Scope

This page was not numbered

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

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out of scope

- NZ has previously experienced difficulties with live sheep exports to the Kingdom. We are conscious of the obligations of the Kingdom, and HM the King as the Custodian of the Two Holy Places, to ensure a supply of sheep for sacrifice during Hajj. Update Al Faisal on the progress made to resolve the livestock issue.
- Since you last met Prince Saud in September, an agricultural delegation from the private sector, along with agricultural officials, visited the Kingdom to review agricultural cooperation possibilities. New Zealand stands ready to assist the Kingdom with its food security needs.

S6(a) + S9(2)(j)

Out of Scope

NZ Embassy Riyadh

Ministry of Foreign Affairs and Trade, January 2014

Pages 72 and 73 are out of scope and withheld
under S6(a) and S9(2)(j)

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HON MURRAY MCCULLY

VISIT TO ~~out of scope~~ SAUDI ARABIA,

15 - 28 JANUARY 2014

$s9(2)(j) + s6(a)$

- Now that we have essentially resolved the live sheep issue with Saudi Arabia,

$s9(2)(j) + s6(a)$

- New Zealand is exploring food security partnerships in the region.
Qatar's National Food Security Programme,
Agribusiness Services Hub in Saudi Arabia,

~~out of scope~~

- New Zealand remains ready to work bilaterally with any member of the GCC that wishes to explore cooperation with New Zealand on food security, or more broadly in areas where New Zealand government departments and companies hold expertise or experience.

~~out of scope~~

New Zealand Embassy Riyadh/Middle East and Africa Division
January 2014

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO :

SAUDI ARABIA,

19 - 28 JANUARY 2014

Minister of Agriculture - Dr Fahd Balghunaim

Objectives

- Update Balghunaim on the progress made with the Al Khalaf partnership and our commitment to a longer-term food security partnership with Saudi Arabia.

Key Points

- You last met with Minister Balghunaim in Riyadh in March 2013.
- Since that meeting, negotiations between MPI and the Saudi Ministry of Agriculture on the livestock protocol allowing the export of livestock for breeding have been completed. The protocol is ready for signature, hopefully during a visit by Minister Gray to Saudi Arabia in Q1 of 2014.
- The partnership with Al Khalaf Group is underway with Brownrigg Agriculture appointed as the lead provider. The elements of the partnership are currently being refined but will centre on a large scale breeding and demonstration facility on the Al Khalaf farm near Damman.

Out of Scope

- During his farewell call in December 2013, former Ambassador Harris briefed Minister Balghunaim on progress towards the protocol, agribusiness hub,

Out of Scope.

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

IS, SAUDI ARABIA,

19 - 28 JANUARY 2014

Out of scope

; (2) trade in livestock for breeding;

oos

s6(a)
s9(2)(b)
s9(2)(c)

s6(a)
s9(2)(b)

s6(a)
s9(2)(b)
s9(2)(c)

s6(a)
s9(2)(b)
s9(2)(c)

s6(a)
s9(2)(b)

Suggested messages:

- NZ has in good faith addressed the livestock issue to the satisfaction of both the Saudi Government and that investor; This has involved some risk and expense for the NZ Government, and is a measure correspondingly of our commitment to the relationship with Saudi Arabia and the GCC;

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO *out of scope* SAUDI ARABIA,

19 - 28 JANUARY 2014

- The protocol negotiations have been concluded. Once the protocol is signed, which we are planning for in the near future, it is a commercial matter when the first exports take place. This is beyond the control of either Government;
- NZ is committed to the relationship. We have placed considerable emphasis in the last few years, including through implementation of the GCC Strategy, on developing the NZ-GCC relationship on all fronts including *Out of scope* food security

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S6(a)
(19)(2)(j)

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA

19 - 28 JANUARY 2014

Minister of Finance - Ibrahim Abdulaziz Al-Assaf

Objectives

- Note that New Zealand is committed to developing its economic relationship with Saudi Arabia, particularly in areas such as agriculture/food security;

- Update Al-Assaf on the progress made with the Al Khalaf partnership and our commitment to a longer term food security partnership with Saudi Arabia.

Key Points

New Zealand is committed to deepening its economic relationship with Saudi Arabia and we are looking forward to discussions with Saudi Minister of Agriculture Fahd Balghunaim in April 2014 for the Saudi-NZ Joint Economic Commission (JEC) with Minister Groser.

- The agenda is likely to cover: (1) agriculture, food security, (2) trade in livestock for breeding; (3) NZ-GCC FTA; (4)

s6(a) s9(2)(j)

Page 79 withheld under
s6(a), s9(2)(b), s9(2)(j)

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA.

Out of scope
19 - 28 JANUARY 2014

Crown Prince, First Deputy Prime Minister & Minister of Defence
- H.R.H. Prince Salman bin Abdulaziz Al-Saud

Out of Scope

- Update the Crown Prince on progress in resolving the live sheep issue, outlining NZ's credentials as a country tolerant and welcoming towards Muslims, and how our agricultural expertise could assist Saudi Arabia meet its food security needs.

Key Points

Out of Scope

[RESTRICTED - NEW ZEALAND EYES ONLY]
HON MURRAY MCCULLY
VISIT TO SAUDI ARABIA,

19 - 28 JANUARY 2014

Out of Scope

Since your last meeting with Prince Salman in March 2013, New Zealand has made considerable progress on arrangements to provide for the export of live sheep for breeding to Saudi Arabia. Update Prince Salman on these developments.

- A NZ agricultural delegation from the private sector visited Saudi Arabia several times since your last meeting with Prince Salman (most recently in December) to work with Saudi officials assist with Saudi food security needs.

S6(6)

S9(2)(j)

Out of scope.

NZ Embassy Riyadh/Middle East and Africa Division
Ministry of Foreign Affairs and Trade
January 2014

Page 82 to 111 out of scope

19 - 28 JANUARY 2014

New Zealand And The GCC Strategy: Implementation

Key points

- The countries of the Gulf Cooperation Council (GCC) are the economic powerhouses of the Middle East. Small populations combined with large hydrocarbon resources have provided these countries with considerable disposable income, and an appetite for high quality imports and investment opportunities.
- With its combination of large state resources and particular needs that match New Zealand's comparative strengths, the GCC presents opportunities for New Zealand to grow our economic and political relationship with the region.
- These opportunities lie in niche goods and services areas in which New Zealand excels, including food, *Out of scope*
New Zealand governance and public sector expertise also has considerable commercial potential in the Gulf.
- Though distant from our area of direct strategic concern, New Zealand has significant security, economic and trading interests in the region. In working with the GCC states, New Zealand needs to demonstrate that it is a valuable partner across a range of international and security issues as well as in the trade and economic arena.
- To best position New Zealand to grow our relationship with GCC countries and to capitalise on economic opportunities in the region, a five year strategy for the GCC has been under development. This is based on a much closer collaboration between Government agencies and the business community, reinforced by high level political engagement. The strategy aims to:
 - Double high value exports (manufacturing, processed food and commercial services) to the Gulf;
 - *Out of scope*
Generate a new source of income through commercialising Government IP.
- The strategy is designed around the following priorities:
 - Stronger in-market support for New Zealand firms;
 - Public/private projects to commercialise New Zealand public and private sector technology, skills and expertise;
 - Improved air linkages;
 - Continued advocacy to conclude the FTA with the GCC;
 - Better visa arrangements for New Zealanders within the GCC;
 - Stronger political engagement.

19 - 28 JANUARY 2014

Background information

The GCC was established in 1981 between Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Oman, Qatar and Bahrain. These six countries, all sitting astride major oil and trade routes, are also socially and politically diverse.

Trade and Economic Opportunities

The GCC is New Zealand's seventh largest export destination² with goods exports worth \$1.5bn in the year to June 2012. Exports of goods have grown by an average 10% per year over the last decade. In addition, the countries of the GCC are an entry point into the region for some New Zealand companies and a base from which to penetrate the wider Middle East and beyond to Central Asia and Africa.

The six states of the GCC in themselves represent a substantial market opportunity for New Zealand. Comprising around 50 million people, the GCC countries are among the wealthiest in the world (e.g. Qatar with a per capita GDP of over US\$84,000). The GCC economies are largely hydrocarbon-based, sitting atop an estimated third of global oil reserves and a fifth of global gas reserves. The resulting foreign exchange reserves have created sovereign wealth funds among the world's largest with a combined value estimated at US\$2 trillion. Their global investments provide a spread risk portfolio and future economic insurance.

Despite their substantive wealth, GCC members share a problem: the virtual absence of arable land. There is strong demand for imported food and beverages that are of high quality, healthy and halal. Future food security is a preoccupation for GCC members. This makes New Zealand a natural partner. The current value of New Zealand agricultural exports to Gulf countries - not only goods but services too - could be increased significantly, by securing the entry into force of a Free Trade Agreement (FTA) and exporting higher value products and services.

Government-Commercial Partnerships

Out of Scope

² Behind Australia, China, the EU, ASEAN, the US and Japan.

[RESTRICTED - NEW ZEALAND EYES ONLY]

HON MURRAY MCCULLY

VISIT TO

SAUDI ARABIA,

Out of scope

19 - 28 JANUARY 2014

A lead provider has been contracted to work with Al Khalaf Group to create an agribusiness services hub in Saudi Arabia. Project design is under way. The next step in moving this new partnership forward is for Minister Guy to sign a Livestock for Breeding Export Protocol with his Saudi counterpart, Dr Fahd Balghunaim, during his planned visit to the region.

Supporting New Zealand Business

Out of scope

NZ-GCC FTA

Education

Air links and visas

Out of scope

Pages 115 to 196 are out of scope

59(2)(a)

From: RIYADH
Sent: Wednesday, 8 January 2014 7:56 p.m.
To: FM.P/S MFA; CEO; MEA; DS APE
Cc:

Out of Scope

Subject:

FORMAL MESSAGE: VALEDICTORY FROM RIYADH

[RESTRICTED]

Handling Instructions

MoE

NZTE

NZ

NOT FOR CABLE EXCHANGE

Hon Murray McCully
Minister of Foreign Affairs

Dear Minister

Out of scope

Out of scope

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

The livestock solution was essential .

(9/2)(j) + 36(a)

The blunt messages you

received during your own visit to Riyadh in April 2011 were confirmation that doing nothing could be a costly option.

7 It is difficult, therefore, to overstate the significance of the solution which eventually emerged nor the importance of fully following through on it. This solution - namely, our agreement to export of livestock for breeding and a restorative partnership with al Khalaf intended to create at the same time a model for broader food security partnership activity round the Gulf - has been well received in Saudi Arabia, round the Gulf, and by the GCC Secretariat.

b(2) + 59(2)(j)

b(2) + 59(2)(j)

out of scope

Pages 4, 5, 6, 7 & 8 are out of scope