

2010

RESTRICTED

MINISTRY OF  
FOREIGN AFFAIRS & TRADE

195 Lambton Quay  
Private Bag 18 901  
Wellington 5045  
New Zealand

64 4 439 8000  
64 4 472 9596

16 December 2010

SAU/MZ/2 and SAU/NZ/1/2

Minister of Trade

For action by 24 December 2010

**SAUDI ARABIA: STOCKTAKE OF THE BILATERAL RELATIONSHIP**

**Submission:** Issues

**Purpose:** To provide Ministers with an update on the current challenges in the relationship with Saudi Arabia and to canvass options for progressing potential solutions to these issues.

**Comments:** No publicity is planned.

**Recommended Referrals**

Minister of Foreign Affairs

For concurrence by 24 December 2010

Prime Minister

For concurrence by 24 December 2010

Minister of Agriculture

For concurrence by 24 December 2010

**Contacts**

Hamish MacMaster Director: Middle East and Africa Division S9(2)(a) (wk)

**Minister's Office Comments**

Signed / Referred

Date: 19/12/10

PM's comment: "Noted"

TL 1/2

## Saudi Arabia: Key Elements of the bilateral arrangement

### Key Points

The bilateral relationship with Saudi Arabia is one of our most important in the Middle East region. Saudi Arabia's role as a global energy supplier, leader of Islamic theology and a member of the G20 means there are an increasing number of countries courting it. New Zealand has been working steadily towards developing our engagement with Saudi Arabia and the states of the Gulf Cooperation Council (GCC) for some time.

- out of scope
- out of scope
- We are continuing to see economic benefits from the relationship. New Zealand exports have increased by 33 per cent over the past five years with exports growing from \$392.8 million in 2006 to \$533.3 million in 2010. The export potential remains strong in services such as construction and education.
- However at the present time there are challenges in our relations with Saudi Arabia, notably the current difficulties in relation to live sheep exports to Saudi Arabia for slaughter;

out of scope

While each issue is separate in nature, they are collectively serving to inhibit the full potential of the relationship.

out of scope

Uncertainty over the New Zealand policy in relation to live sheep exports to Saudi Arabia is negatively impacting and if not well managed, could have worrying spill-over effects on our broader regional economic interests.

out of scope

Saudi Arabia: Key Elements of the bilateral arrangement

- Ministers have proposed that as a first option to resolve the issue, New Zealand should propose a solution to the live sheep issue.

S6(a)

- Timing is becoming more important. It is now over 7 months since the live sheep issue was raised in Riyadh by the Saudi Minister of Agriculture. Any further significant delay could lead to drift in the relationship, both with Saudi Arabia and with the broader GCC.

**Recommendations**It is recommended that you:

1 out of scope Yes / No

2 out of scope Yes / No

3 S6(a) Yes / No

4 Note that while officials have identified risks for New Zealand the essence in responding to Saudi concerns around this issue; time is of Yes/No

5 Agree that, notwithstanding the identified risks, officials should identify the earliest possible opportunity in the first quarter of the new year for a New Zealand Minister to meet Saudi Arabian either during a trip to the Gulf, or in the margins of another event and revert to you in January with some options; Yes/No

Saudi Arabia: Key Elements of the bilateral arrangement

- 6 Agree that officials should commence work to more clearly define the scope *SL(a)* Yes/No  
meeting between New Zealand and Saudi Ministers;
- 7 Agree that officials should in parallel draft substantive responses to correspondence received by Ministers from Saudi exporters on the live sheep issue. Yes/No

Hamish MacMaster  
for Secretary of Foreign Affairs and Trade

## Saudi Arabia: Key Elements of the bilateral arrangement

port

1. New Zealand has been working steadily towards developing our engagement with Saudi Arabia and the states of the GCC for a number of years.

out of scope

2. The GCC region already is an increasingly important contributor to New Zealand's economic prosperity; it is currently our 5<sup>th</sup> largest bilateral trading partner and major energy supplier. Saudi Arabia remains one of New Zealand's top 20 goods trade partners and one of our most significant in the Middle East. Total bilateral trade for the year to June 2010 grew to NZ\$778 million. The balance was firmly in New Zealand's favour (New Zealand exports of NZ\$ 512 million and imports of NZ\$ 265 million). Services exports to Saudi Arabia also continue to grow strongly with opportunities in services sectors like construction and education.

3. Saudi Arabia (and the GCC region) will remain an engine for global growth in the coming decade. The governments of the region have significant reform and expenditure plans, including areas where New Zealand holds comparative advantages (education, public service reform, agriculture).

out of scope

Saudi Arabia's role as a global energy supplier, leader of Islamic theology, member of the G20 and the most influential member of the GCC means there are an increasing number of countries courting it. It also means that fractures in the relationship with Saudi Arabia carry potentially wider ramifications for New Zealand's regional interests.

4. At the present time there are challenges in our relations with Saudi Arabia;

the unresolved issue of live sheep exports to Saudi Arabia for slaughter;

out of scope

Taken together these three issues risk causing further damage to our relations with the key state of the GCC

sa(2)(j)

out of scope

Saudi Arabia: Key Elements of the bilateral arrangement

out of scope

out of scope

Trade: s 4(2)(j) Live Sheep

8. The unresolved issues concerning the New Zealand view towards the export of sheep for slaughter s 4(2)(j)

The conditions, which New Zealand seeks to place on the live sheep trade are still under discussion and do not appear to be acceptable to the KSA. Accordingly, Ministers have decided to approach the government of Saudi Arabia to examine solution,

s 6(a) In assessing the possible Saudi reaction to such an approach, officials would note the following points.

s 6(a)

s 6(a)

Saudi Arabia: Key Elements of the bilateral arrangement

In a worst-case scenario  
may pose a number of potential adverse risks for New Zealand. These might  
include:

s 9 (2) (g) (i)

s 9 (2) (d)



Saudi Arabia: Key Elements of the bilateral arrangement

11. The risks identified notwithstanding, the need to take action in response to Saudi concerns expressed by both exporters and officials is becoming urgent. It is now over 7 months since the live sheep issue was raised in Riyadh by the Saudi Minister of Agriculture and subsequently by the Saudi exporters via a letter to the PM. Any further significant delay could lead to drift in the relationship, both with Saudi Arabia and with the broader GCC.

12. s 6(a) Officials propose to identify the earliest possible opportunity in the first quarter of next year for a New Zealand Minister to meet with a Saudi counterpart s 6(a) and to revert to you with some potential options in January. s 6(a)

As arrangements for a meeting with Saudi Ministers firm up, officials will draft substantive responses to correspondence received by the Prime Minister from Saudi exporters.

Out of scope

out of scope

*Next steps*

*Live sheep issue*

17. Officials would recommend that any approach to the Saudis over the live sheep issue be led at Ministerial level. While it was intended that Minister McCully would engage on the matter with his Saudi counterpart in New York in September, a meeting did not prove possible. Consideration is now being given to alternative options, given that it is over 6 months since you last spoke with the Saudi Minister of Agriculture about the issue in Riyadh. It is understood that you have a potential window for visiting the Kingdom in early 2011. Officials would recommend that this timing be given serious consideration to demonstrate a commitment on the part of the New Zealand government to address Saudi reservations.

Consultation with external agencies (if required)

**UNOFFICIAL TRANSLATION**

Date: 4/12/2010

HE Ambassador of New Zealand to the Kingdom of Saudi Arabia

We have read in the local and international newspapers that your Government has approved the request of Jewish New Zealand nationals to slaughter livestock and birds according to their beliefs, religion and customs. However, we are Muslims and investors in Northern and Southern New Zealand and we have a very important project for New Zealand's future and farmers, which is to breed Awasi sheep. The New Zealand government and people understand that the purpose of this project is to export livestock, however the following caught my attention:

- 1- Allowing Jews in New Zealand to slaughter animals according to their religion's teachings and principles.
- 2- Our company requests that livestock be transported on special carriers just like any other country in the world for slaughtering inside KSA or the GCC states which follow the Islamic religion and its teachings and apply the Islamic slaughtering method. All these countries are members in the Human Rights organisations, world animal welfare organisations, the United Nations and religious organisations. Therefore, I kindly ask you to forward our point of view to your Government from which we're still awaiting an official response after the request we've addressed to the Prime Minister in May of this year to be allowed to export livestock as we successfully used to do in the past years. We hope that your wise government respects our freedom of religion and the sovereignty of our country. Your cooperation is highly appreciated.

Hmood Al-Khalaf

Chief of Al Khalaf group

A copy to be sent to George Assaf



مُسْتَعَرَّةٌ

من ٢٧٧٨

HMOOD AL ALI AL KHALAF TRADING &amp; TRANSPORTATION EST.

C.R. 205000277B

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**مملكة البحرين**

بأنفسنا وقرأنا بالصحف المحلية والعالمية أن حكومتكم الرشيدة وافقت على طلب مواطنيها من الجبالسة النيوزلندية بفتح ما يحتاجونه من المواشي والطيور وغيرها على طريقة ما يملوه عليهم دينهم وعاداتهم وهذه الموافقة هي داخل نيوزلندا ، ونحن مسلمين ومستثمرين في نيوزلندا بشقورها الشمالي والجنوبي ولدينا مشروع مهم لمستقبل نيوزلندا ومزارعيها الا وهو انتاج العواسي والمفهوم لدى الحكومة النيوزلندية والشعب جميعهم أن هذا المشروع الفرض من أقامته هو تصدير المواشي الحية والذي لفت انتباهي ما يلي :

١/ السماح للجثية اليهودية داخل ليونلندا بالنجح حسب اصول وقوانين الدولة اليهودية العريمة

١٢ / شركتنا تطلب تصدير المواشي الحية على ناقلات مخصصة للمواشي مثل أي دولة في العالم لديها داخل المملكة العربية السعودية أو دول الخليج وجميعها تدين بدين الاسلام وديننا تعاليم شرعية سماوية في طريقة البيع دينها وكذلك لها عادات وقوانين منذ خلقت السموات والأرض . وجميع هذه الدول أعضاء فاعلين في منظمات حقوق الانسان ومنظمات الرقي بالحيوان العالمية وكذلك في الأمم المتحدة وكذلك إحترام الأديان ، لذا أرجو من سعادتكم نقل وجهة نظرنا لحكومتم التي لا نزال ننتظر جواباً رسمياً منها وجهناه الى سيادة رئيس وزرائكم الكريم في شهر مايو من هذه السنة بالسماح لنا بتصدير المواشي الحية كما كنا نقوم به بنجاح تام في الأعوام السابقة ونتمنى على حكومتكم الحكيمة ان تحترم حرية معتقداتنا الدينية وسيادة بلدنا . شاكرين ومقدرين تعاونكم في مصلحة بلديننا وبنتم سالمين .

صورة لجورج عساف

رئيس محمود علي خليفه

محمد بن علي

ص.ب. ٦٣٠٢ الدمام ٣١٤٤٢ - المكتب: ٨٣٩١٢٦٦ / ٨٣٩١٦٥١ / ٨٣٩١٥٢٢ / ٨٣٩٠٧٥١ / ٨٣٩٠٥٦٦ - فاكس: ٨٣٩١٣٥١  
P. O. Box 6303 Dammam 31442 - Office: 8391266/8391654/8391522/8390754/8390588 - Fax: 8391351

s 9(2)(a)

s 9(2)(a)

From: KELLY, Clare (TND)  
 Sent: Friday, 29 October 2010 11:18 a.m.  
 To: (PATP); (MEA);  
 (MEA)  
 Cc: (TND); .... (Inet)  
 Subject: RE: Sherwin meeting with Balgunaim: Comments by 1030 please

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

After a conversation with we've agreed to we'll advise that MS make a very bland response along the lines suggested by

s 6(a)

From: .... (Inet)  
 Sent: Friday, 29 October 2010 10:14 a.m.  
 To: (TND); (PATP); (MEA); s 9(2)(a)  
 (MEA)  
 Cc: (TND) s 9(2)(a)  
 Subject: Re: Sherwin meeting with Balgunaim: Comments by 1030 please

I don't think MoT will be at all comfortable with this.

s 6(a)

From: (TND)  
 To: s 9(2)(a)

Cc:  
 Sent: Fri Oct 29 09:47:32 2010  
 Subject: Sherwin meeting with Balgunaim: Comments by 1030 please

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

is happy for M. Sherwin got to discuss s 6(a) with Balguniam but wants some line to give him that follows on from his (Murray's) last contact with him. I propose the following:

s 6(a)

Anything else we could or should say?

29/10/2010

s 9(2)(a)

I want to be briefed by phone on this - once I have your tick off, I'll call him.

Clare Kelly  
Deputy Director (Goods)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Tel: -  
Fax: + 64 4 439 8522  
Mob:

s 9(2)(a)

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s9(2)(a)

SAC [initials]

From: s9(2)(a)  
Sent: Monday, 13 September 2010 9:15 a.m.  
To: MacMASTER, Hamish (MEA); ARMSTRONG, Wade (PATR)  
Cc: s9(2)(a)  
Subject: Telcon with George Assaf  
Attachments: Telcon HOM with Assaf 12 Sept 10.doc

[RESTRICTED]

Self explanatory. s9(2)(ba)

Regards,

s9(2)(a)

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File note of telcon HOM/George Assaf 12 September 2010

Summary

was committed to the country

(b) he continued to want the best for NZ and

s 9(2)(b)

out of scope

s 6(a)

Report

I rang back George Assaf today following his attempt to contact me on Wednesday 8 September

This was our first contact. During a lengthy conversation which went back and forth over the topic headings below and in which I asked a few questions but mainly listened, Assaf made a number of points in familiar terms about the history of his investment and reliance on alleged NZG undertakings etc. These points are not repeated here; I only note what to me was new information.

s 9(2)(ba)



2 Assaf was seeking an update on Wellington deliberations. I explained that I was not in a position to indicate what these were or next steps might be but could assure him that his concerns were receiving close and high level attention. s 9(2)(g)(i)

I encouraged him to stay in touch and to call on me when next in Riyadh (probably in the next few months). s 9(2)(b)(i)

The Australian and wider trade

s 9(2)(b)(ii)

Effect of "ban" on business; prospect of limited shipments; modern transportation

s 9(2)(b)(ii)

b7D(2)(b)(i)

b7D(2)(a)

Gulf perceptions of "ban"

b6(a)

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s9(2)(a)

(MEA)

s4(2)(a)

From: s9(2)(a) TND)  
 Sent: Monday, 13 September 2010 3:49 p.m.  
 To: s9(2)(a) (MIN)  
 Cc: (TND); ARMSTRONG, Wade (PATP); s9(2)(a) (MEA);  
 MacMASTER, Hamish (MEA); s9(2)(a) (MIN)  
 Subject: RE: Live Sheep: Additional Information  
 Attachments: 2446857-v1-Answers\_to\_questions\_(s9(2)(a)) - 13 September 2010.doc

[SEEMAIL] [SENSITIVE]

Hi s9(2)(a)

Attached are the "answers". Do you also want a copy of the Draft Arrangement?

Cheers

s9(2)(a)

From: s9(2)(a) (MIN)  
 Sent: Monday, 13 September 2010 12:11 pm  
 To: ARMSTRONG, Wade (PATP); KELLY, Clare (TND); s9(2)(a) (TND); s9(2)(a)  
 (MEA); MacMASTER, Hamish (MEA)  
 Cc: s9(2)(a) (MIN)  
 Subject: Live Sheep: Additional Information

Wade

I had a quick chat to McCully this morning ahead of this evening's meeting on live sheep. In advance of this meeting he has requested an outline of the steps required to resume the trade. Most of this work has been done already in the attached note but he had a few additional specific questions, some of which I know we have covered off already. Could you please update the attached note to also cover these points.

- The Customs Export Prohibition Order is set to expire on 20 December 2010 - what does this mean and should we be taking advantage of this?
- What does the MoU look like and what is its current status
- How could the extraterritorial aspects be managed? s6(a)
- What would be the timing of the first shipment? Hajj 2012?
- How big would the first shipment be and where would the sheep come from (e.g. do the current interested partners have the numbers to fill a shipment?)

If the team can have a revised note across by 4pm that would be grand. Sorry about the quick turnaround.

Thanks

s9(2)(a)

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Answers to questions ( s 9(2)(a) – 13 September 2010)

1 The Customs Export Prohibition Order is set to expire on 20 December 2010 - what does this mean and should we be taking advantage of this?

- The Customs Export Prohibition (Livestock for Slaughter) Order 2007 prohibits the export of cattle, deer, goats and sheep for slaughter, except:

- “(a) with the consent of the Director-General (DG) of the Ministry of Agriculture and Forestry (MAF); and
- (b) subject to any conditions specified by him or her that are not inconsistent with the prohibition.”

- As well as an export consent (from the CEPO), livestock exported for slaughter from New Zealand also requires an animal welfare export certificate (AWEC) as set out under the Animal Welfare Act 1999. The D-G MAF assesses applications on a case-by-case basis. Section 45 of the Animal Welfare Act specifies the conditions that the D-G MAF must consider when assessing whether an AWEC should be granted. The D-G may consent to the AWEC subject to the imposition one or more of the conditions specified in section 45 of the Act, which include conditions (covering preparation and transport) requiring<sup>1</sup>:

- That the livestock are fit and healthy for the journey; and
- that the ship or aircraft and other relevant aspects of the export comply, as appropriate, with the MAF sea transport standards or the IATA Live Animals Regulations;

- The CEPO is currently the mechanism whereby the D-G MAF may “impose” requirements (in order to gain an export consent) upon an importing country, covering disembarkation and post-disembarkation conditions. While not specified in the CEPO, such conditions could include such requirements as illustrated on the MAF website, i.e.

- The export is for slaughter of livestock in commercial slaughter houses;
- The importing country has requirements in place that meet the World Organisation for Animal Health (OIE) *Guidelines for the slaughter of animals*;
- The importing country has requirements in place that meet the OIE’s *Guidelines for the transport of Animals by land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- A pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporter’s expense, demonstrates compliance with the above requirements;

<sup>1</sup> Animal Welfare Export Certificates – [http:// www.biosecurity.govt.nz/regs/animal -welfare/sids/awecs](http://www.biosecurity.govt.nz/regs/animal-welfare/sids/awecs)

<sup>2</sup> OIE Guidelines do not require mandatory pre-slaughter stunning but do identify technical guidelines on stunning methods if chosen.

- The D-G MAF may require a bilateral arrangement to be in place to support the requirements of importing countries set out above.
  - Because the Animal Welfare Act is currently under review, it is highly likely that MAF will request the "roll-over" of the CEPO without amendment. It remains to be seen if MAF will seek to have the "illustrated" requirements of the CEPO transferred into a new Animal Welfare Act.
2. What does the MoU look like and what is its current status?

3. How could the extraterritorial aspects be managed?

4. What would be the timing of the first shipment? Hajj 2012?

5. How big would the first shipment be and where would the sheep come from? (e.g. do the current interested partners have the numbers to fill a shipment?).

We would need to confirm from which part of New Zealand most of the sheep would be sourced.

s 9(2)(a)

(MEA)

SA 102115

From:

Sent: Saturday, 11 September 2010 5:22 a.m.

To: (MEA)

Cc: (RIY); (MEA);  
(PATP)

Subject: RE: MOT interview with today

UNCLASSIFIED

From: [mailto:  
Sent: Thursday, 9 September 2010 6:54 p.m.  
To: (DS TEG);  
(PATP);  
Cc: (PDO)  
Subject: MOT interview with Nigel Stirling today

(FTU);  
(MEA)

(FTU);

(FTU);

Here's a summary of comments made by Mr Groser to s 9(2)(a) (Radio NZ) over the phone at lunchtime today.

This was a wide-ranging interview on FTA progress, focusing on TPP, Korea and then GCC (live sheep). And it went too long for an interview for radio - maybe 20 minutes. Impossible to know what will get played on air and I don't know when. I didn't hear questions. But most are obvious from the context

20/09/2010

Pages 2 to 4 are out of scope

s9(2)(a)

From: (MEA)  
Sent: Friday, 10 September 2010 4:51 p.m.  
To: (RIY)  
Cc: (MEA)  
Subject: RE: Call from George Assaf

s4(1)(2)(1)(2)

[SENSITIVE]

Thanks

s9(2)(a)

s6(a)

cheers

s9(2)(a)

From: (RIY)  
Sent: Thursday, 9 September 2010 2:55 a.m.  
To: (MEA)  
Cc: (MEA)  
Subject: Call from George Assaf

[SENSITIVE]

Courtesy tel call from GA today (from Hawkes Bay)

s6(a)

s9(2)(a)(i) Do you know how much he knows about most recent machinations in Wellington?

I can read a reply on orange though the office closes till Monday.

s9(2)(a)

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(MEA)

From: (TND)  
 Sent: Thursday, 2 September 2010 11:37 a.m.  
 To: (RIY)  
 Cc: CLARKE-WATSON, Jeremy (MEA)  
 Subject: RE: Live sheep/visit by DHOM Peter Noble from 8-10 Sept

[RESTRICTED]

Hi

s 9(2)(a)  
 has brought me into the loop and forwarded me your e-mail.

I have copied info from advice I sent the minister's office on the regulations that need to be met for export (emphases are mine), which include the criteria that the D-G MAF may consider when giving an export consent to the CEPO.

Please let me know if the following is what you want.

Cheers

s 9(2)(a)

### New Zealand's Regulation of Live Animal Exports

A person or entity considering exporting live animals from New Zealand must meet three legislative requirements. These are:

i) **The Animal Products Act 1999**

All commercial exporters of live animals must be registered under the Act. Export requirements (zoosanitary) are issued by notice under section 60.

ii) **The Animal Welfare Act 1999**

An animal welfare export certificate (AWEC) is required (unless there is an exemption). Exporting without an AWEC where one is required is an offence under the Act.

iii) **Declaration as to purpose of export**

Applicants wishing to export live cattle, deer, sheep or goats, for any purpose must provide MAF a declaration sworn under the Oaths and Declarations Act 1957 as to the intended end use of the animals (immediate slaughter, fattening and subsequent slaughter, breeding or other use).

The export of livestock (sheep, cattle, deer and goats) for slaughter (whether immediately or in several years time[1]) is prohibited (**Customs and Excise Act 1996 - Customs Export Prohibition (Livestock for Slaughter) Order 2007**), "unless the risks to New Zealand's trade reputation can be adequately managed"[2]. The Director-General of MAF may approve individual consignments on a case-by-case basis ("consent to export") if judged that the risks can be adequately managed. Factors the D-G MAF may take into account when considering an exemption to the CEPO include (emphases added):

The export is for slaughter of livestock in commercial slaughter houses;

The importing country has requirements in place that meet the World Organisation for Animal Health (OIE) Guidelines for the slaughter of animals;



- Cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the *Guidelines*;
- The importing country has requirements in place that meet the OIE's *Guidelines for the transport of Animals by land, Sea and Air*, in relation to the unloading and post-journey handling and transport of livestock;
- A pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporter's expense, demonstrates compliance with the above requirements; and
- Any other matter the D-G MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products

The D-G MAF *may require a bilateral arrangement* to be in place to support the requirements of importing countries set out above. As well as the above legislative requirements, there are a number of Standards for transporting livestock that must be met.

[1] MAF Guide to Exporting Animals

[2] MAFBNZ – Tighter controls on animal exports for slaughter.

<http://www.biosecurity.govt.nz/commercial-exports/animal-exports/export-livestock-slaughter>

s9(2)(a)

From: (RIY)

Sent: Wednesday, 1 September 2010 4:56 p.m.

To: s9(2)(a) (MEA)

Subject: RE: Live sheep/visit by DHOM Peter Noble from 8-10 Sept

[RESTRICTED]

Yes, please send thru those papers today so I can discuss with Peter before he leaves tonight - that would be great.

The admin guidelines were guidelines as to how to administer the export restriction (some would say prohibition, but it isn't) in the CEPO. So they're not at all the same thing. The best way to get hold of them would probably be an innocent inquiry by to someone he knows in MAF at a level below Chris. Not that Chris would necessarily have any problem with it. Presumably you've seen the CEPO itself.

s9(2)(a)

s 9(2)(a)

(MEA)

**From:** (PATP)  
**Sent:** Monday, 23 August 2010 8:55 a.m.  
**To:** (TND); (MEA); (TND);  
**Subject:** FW: Live Sheep: Recommendations for Oral Item

[SEEMAIL] [RESTRICTED]

SA 612112

s 9(2)(a)

(MEA);

s 6(a)

**From:** (PATP)  
**Sent:** Friday, 20 August 2010 12:47 p.m.  
**To:**  
**Cc:** (MEA); (MEA); (TND);  
**Subject:** FW: Live Sheep: Recommendations for Oral Item

s 9(2)(a)

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

s 6(a)

s 6(a)

s 9(2)(a)(i)

**From:** [mailto:]  
**Sent:** Thursday, 19 August 2010 5:52 p.m.  
**To:**  
**Subject:** Live Sheep: Recommendations for Oral Item

s 9(2)(a)

[SEEMAIL] [RESTRICTED]

s 9(2)(a)

A request has been made to the PM for the issue of live sheep to be raised as an oral item at Cabinet on Monday. Below are some draft recommendations prepared by Mr McCully on live sheep.

s 9(2)(a)

s 9(2)(a)

s 6(a)

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From:  
 Sent: Thursday, 19 August 2010 3:46 p.m.  
 To: (PATP); (TND); (MEA);  
 (MEA)  
 Subject: Urgent Live Sheep Recommendations  
 Importance: High

- please see below. This is MFA's redraft which I have been over with to correct some technical terms while preserving the substance as close as possible to the Minister's intention. Can you see anything that requires technical correction or, for that matter, any really glaring problems? Might be quicker to discuss on phone. I then need to show Groser and needs to give a copy to Carter office  
 many thanks

From:  
 Sent: Thursday, 19 August 2010 3:44 pm  
 To:  
 Subject: Live Sheep Recommendations

[SEEMAIL] [RESTRICTED]

- as discussed here are the draft recommendations prepared by Mr McCully.

Cabinet:

Out of scope

**From:** (PATP)  
**Sent:** Thursday, 19 August 2010 8:22 a.m.  
**To:**  
**Cc:** (MEA); (TND); (TND)  
**Subject:** RE: live sheep

[SEEMAIL] [RESTRICTED]

Looks fine -one minor typo para c. "exported from Australia"

**From:** [mailto:]  
**Sent:** Wednesday, 18 August 2010 6:26 p.m.  
**To:** (PATP)  
**Cc:** (MIN); (MFA)  
**Subject:** live sheep  
**Importance:** High

[SEEMAIL] [RESTRICTED]

I paste below a draft of the "one pager" requested by MFA. This follows a discussion with aimed at giving effect to the discussion that took place earlier today. I wanted you to review it before I hand it to MOT. (NB: I haven't made reference to CEP expiry in December because it will happen anyway. Do we need really need to include that at this point?)

If we can get expeditiously through the agenda for tomorrow's weekly MFAT officials meeting with MOT (9am-10am) then it might be possible to discuss this with him directly. Once he is satisfied with a draft, we can send it to MFA. We will need to move reasonably quickly tomorrow.

CABINET

Page 2 is withheld under s 9(2)(g)(i), s 6(a),  
 s 9(2)(i)

19/08/2010

s9(2)(a)

From: (MEA)  
 Sent: Tuesday, 17 August 2010 12:10 p.m.  
 To: (PATP); (TND); (MEA);  
 Subject: RE: GCC

[CONFIDENTIAL]

Hi

and I were in Minister Groser's office yesterday for a meeting with  
 r had left the Minister wanted to discuss a number of other issues, including live sheep.

He made the following points

- The GCC was one of his leading priorities, not just for seeing the FTA completed, but also to ensure that the relationship with Saudi Arabia was brought back into a stronger position
- the Gulf visit in April, s6(a), had been important in deepening his understanding of the opportunities and challenges facing NZ firms. The FTA was a crucial part of supporting trade expansion in the region
- 
- he would be further discussing this issue with Mr McCully over the coming days, but a solution that allowed for limited and focused trade was of interest
- Putting this to the Saudis was also an important part of the process to ensure NZ was seen to be taking their concerns on board
- advice would need to be provided to Ministers in due course which set out in "very clear and precise language" (his words) the potential choices facing the government on this issue
- an essential part of a forward process, if progress could be made, was MFAT leading the process, with MAF input, of negotiation on completing the MOA with Saudi Ag authorities
- both MFA and MOT are available to travel to Riyadh as envoys of the PM should an option for a solution be identified
- the PM would then potentially consider a visit to the Gulf if it was to witness the signing of the FTA

Cheers

s9(2)(a)  
 From: (PATP)  
 Sent: Tuesday, 17 August 2010 8:10 a.m.  
 To: (MEA); (TND);  
 Subject: RE: GCC

[UNCLASSIFIED]

Sorry but have a speaking engagement in auckland tomorrow.

From: [mailto:  
 Sent: Monday, 16 August 2010 5:58 p.m.  
 To: (PATP); (MEA); (TND);

24/08/2010

(MEA)  
Subject: GCC

s 9(2)(a)

- Mr Groser is meeting at 1130 on Wednesday with Mr McCully to discuss a couple of trade issues and would be grateful if you were available for that meeting. Are you available at that time?

s 9(2)(a)

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OFFICIAL INFORMATION ACT

(MEA)

From: (TND)  
 Sent: Tuesday, 3 August 2010 4:36 p.m.  
 To: (TND); (MEA); (TPLU)  
 Subject: FW: Live Sheep

[SEEMAIL] [RESTRICTED]

Where things now stand, following yesterday's meeting. MAF has now been briefed.

From: (PATP)  
 Sent: Tuesday 3 August 2010 4:19 p.m.  
 To: (MIN)  
 Cc: (MIN); (TND)  
 Subject: RE: Live Sheep

[SEEMAIL] [RESTRICTED]

Thanks for yr summary record. I have amended a couple of minor points but it is fine. (I have done a slightly fuller note on the conversation -below- which can be attached to yours if you wish - and feel free to amend it).

2.

Mr McCully and Mr Groser led off the meeting, the former noting the broad importance of finding agreement if possible on a course of action or at least of identifying alternative courses of action and their respective consequences; and Mr Groser outlining the broad choice was either finding a sophisticated fix f on live sheep <sup>S4(2)(a)</sup> with the consequent impact on development of relations with the Gulf, and the opportunities NZ firms were already pursuing successfully. He noted the CEPO provisions and the history of the bilateral MOU negotiation. All three ministers agreed that the negotiation had been dilatory and likely perceived by Saudi Arabia as not conducted in good faith or even as duplicitous. <sup>S6(a)</sup>

3. Mr Grosersaid that protests generally did not arise so strongly over live shipments of breeding stock ( Mr Carter: "depends on how many and how long a journey"). <sup>S6(a)</sup>

Mr McCully said that the issue would need to be "front-footed" during his forthcoming visit to the Gulf. Others agreed, Mr Carter wondering if it was possible to quantify the risk to NZ trade (as part of preparation). <sup>S6(a)</sup>

Live trade for many farmers could well be a potentially important opportunity over time. Trade could be restricted to Awassi sheep -at least half breed. Getting sufficient numbers would take time so a shipment of 15-25,000 shhep might be possible in 2012, This would be under QIE standards for live shipments.

5. Ministers were supportive of this 'clever' approach, Mr Carter also noting that we would need an unqualified Saudi commitment to accept the sheep upon arrival. <sup>S6(a)</sup>



This would need to be done on the basis of a timetable that "worked for us" say 2012 shipment.

Looking at next steps Mr McCully indicated that an oral item on the issue and this meeting would be taken to Cabinet (he saw no need for a paper at this point).

7. Mr McCully then concluded, saying that NZ needed to protect its wider trading interests as an exporter around the world; and including in the developing Gulf markets. To this end it might have to do a few things more around the live sheep trade. Mr Carter agreed, while repeating that the potential risk should not be underestimated.

**From:** (MIN) [mailto: @parliament.govt.nz]  
**Sent:** Monday, 2 August 2010 1:42 p.m.  
**To:** (PATP)  
**Subject:** Live Sheep

[SEEMAIL] [RESTRICTED]

I didn't take detailed notes on this morning's meeting but here is a quick report looking at the conclusions rather than a detailed who said what. In terms of follow-up I think we have a clear direction but there is still plenty of work required to flesh out the strategy. Please feel free to edit this report as necessary before disseminating further.

Ministers McCully, Groser and Carter met with industry reps to discuss the possibility of resuming live sheep exports to KSA.

Ministers required this information, and especially the views of industry, in order to inform what will be a tricky political decision. While the position of the industry is an important part of the decision it is not the only factor Ministers will need to take into account.

While the industry reps saw some risk they also saw the strategic benefit in ensuring an improvement to our overall trading relationship with the GCC. NZ farmers had a long-term interest in selling more meat into the region.

Ministers wanted to go on the front foot and decide a course of action within the next 6 weeks - 2 months. Delaying too long could close off options it was not in New Zealand's interests to leave the live sheep issue hanging.

In making such a decision Ministers would need a clear understanding of the timings for each step of the process, from re-engagement with KSA through to delivery of the first shipment.

The conclusion, was to propose the resumption of live sheep exports subject to restrictions.

- Awassi sheep only, at least half-bred (on the grounds that they are better suited for long sea journeys)
- Trial period of 12 months (one shipment)
- OIE guidelines for transportation

- • KSA must accept sheep on arrival

Restoring the arrangement to Awassi sheep would probably limit the numbers at least for the first shipment to below 25,000, less than the amount required to fill a ship. Ministers would be looking for a solution whereby the first shipment does not take place until 2012.

S9(2)(j)

All this still leaves Ministers with a difficult political decision to make. They will need to weigh up the risks.

S6(a)

The next step is an oral item for Cabinet setting out the background to problem and detailing the proposed course of action.

S9(2)(ba)

S9(2)(b)(ii)

S9(2)(a)

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(MEA)

SAW/n2/1/2

From: TND)  
Sent: Friday, 30 July 2010 5:02 p.m.

To: (MIN)

Cc: parliament.govt.nz: (MIN)

(MEA); (TPU)

Attachments: 2396282-v2-Australia\_Live\_Sheep\_Trade\_Lessons\_for\_NZ.doc; 2416126-v1-  
Actions\_required\_to\_enable\_live\_sheep\_exports.doc

[SEEMAIL] [IN CONFIDENCE]

Afternoon

Please find attached the two background papers for the Ministers' meeting on Monday morning.

Best regards

sg(2)(a)  
Senior Specialist (SPS)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Wellington  
New Zealand

DDI:  
e-mail:

## **Actions to be undertaken to enable a consignment of sheep to be exported to KSA for slaughter**

Note: The following points have NOT been discussed with MAF and should be treated as indicative only. They assume a situation where industry supports the resumption of live sheep exports and both industry and government are committed to developing the underpinnings of the trade, including but not limited to any necessary new regulations, infrastructural improvements and public awareness campaigns.

### **1 Completion of the: "Arrangement on the Trade in Live Sheep between the Kingdom of Saudi Arabia and the Government of New Zealand"**

The negotiation of an Arrangement, covering the conditions of export (i.e. pre-export (on-farm) activities in New Zealand, transport (loading, shipping, disembarkation), and post entry activities (holding, transport, delivery into slaughterhouses) would be a condition of any approval given by the D-G MAF for an export consent under the Customs and Excise Act 1996 - Customs Export Prohibition (livestock for Slaughter) Order 2007. (The export of livestock for slaughter is currently prohibited under the CEPO)

Completion of such an Arrangement would require:

- Initial senior contact with KSA to explore the feasibility of an arrangement on a trial basis (with assurances regarding the GCC FTA entry into force)
- Technical meetings between New Zealand (MAF/MFAT) and the KSA (Ministries of Agriculture, and Municipal Affairs) to confirm the terms of the Arrangement (i.e. what elements could be implemented) and to negotiate post-entry requirements up to, but not including, slaughter.
- Successful desk audit (International third party, e.g. OIE) of the system (pre-export through to slaughter) including the competent authorities (ability to control/ensure compliance with specifications) – i.e. thus providing independent quality assurance.
- Consultation - Because of the wide interest the resumption of trade would generate, it is very likely that the NZ Govt would wish to consult with interested parties (incl. NGOs) in order to explain and justify the conditions of, and compliance with, the Arrangement.

### **2 Conditions**

56(a)

New Zealand would need some very tight controls over the whole system to ensure there was no failure, or contingencies in place should there be so. Such conditions could include:

- Assurances from the KSA government (and importers) that the components of the Arrangement under its jurisdiction would be met, including any necessary investments in infrastructure. Further, it would have to be clearly understood by the KSA that any

---

Australia's MOUs impose conditions only to the point of disembarkation

5(a)

- Trial shipment(s) – The first shipment be sent on a trial basis (possibly with independent auditors) to ensure the system, as documented is correctly implemented. Any major non-compliance would result in suspension of the trade.

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Pages 1 to 2 withheld under  
56(a) and out of scope

out of scope

### **The Australian Experience: Lessons for New Zealand?**

There are fundamental differences in New Zealand and Australia's circumstances:

*New Zealand's sheep industry has always been dominated by meat rather than livestock exports.*

Even pre-*Cormo Express*, livestock exports were a small (albeit useful) part of the sector. Since the halt on exports of live sheep for slaughter in 2003 following the *Cormo Express* incident, New Zealand's lamb and sheep export industry has been

almost entirely based on sheepmeat. Sheepmeat exports in 2009 totalled NZ\$2.8 billion, of which NZ\$1.8 billion went to the EU (NZ\$ 723 million to the UK alone). Exports to the US were NZ\$229 million. Saudi Arabia was New Zealand's eighth largest market at NZ\$97 million.

***New Zealand industry has not supported a resumption of the trade***

Livestock exports are now a substantial contributor to the Australian meat export industry and indeed the Australia economy and are valued accordingly by the agriculture sector. To date, the New Zealand processing industry has been opposed to a resumption of the livestock for slaughter trade, in the interests of maximising throughput in New Zealand slaughterhouses.

We are not aware of the views of sheep producers (other than Mr Assaf) on resuming the trade.

***New Zealand's livestock export infrastructure does not match Australia's***

MFAT is not competent to assess the capacity of the industry to resume live sheep exports, but we believe we are on safe ground in stating that considerable preparation, planning and investment would be required before New Zealand could resume live sheep exports without an unacceptable level of political and economic risk.

***The tyranny of distance***

Australia's hotter, drier climate is far more like that of Saudi Arabia than New Zealand's and its sheep are accordingly presumed to suffer less on long voyages. It is a fact that the distance to Middle Eastern markets is much shorter from Western Australia than from New Zealand, so some animal welfare issues associated with distance may be more easily resolved by Australia exporters.



## Some Conclusions

The Australia experience does allow us to draw some conclusions about the likely elements of a successful resumption of live sheep exports from New Zealand.

- **Dialogue with industry will be critical**

There will need to be dialogue with industry and understanding of the potential benefits the government sees from possible resumption of the trade.

- **NGO reaction will be immediate and strong; wider public reaction will be mixed**

It is likely that there will be an immediate reaction from PETA and WSPA opposing any resumption of trade, especially as both have claimed victory for "halting" it. As WSPA has New Zealand-based affiliates, it is likely to conduct direct action within New Zealand.

Domestic reaction is likely to be split between initial concern for animal welfare and international reputation and longer term considerations of potential economic gains.

- **Negotiation of a robust NZ/KSA Arrangement will be critical**

If we move ahead with negotiation of a bilateral Arrangement on conditions for live sheep export, the negotiation will have to be conducted from the New Zealand end by a team of MAF and MFAT officials. The Arrangement should ensure that live sheep exported from New Zealand to KSA follow the same pathway to slaughter and capitalise on the post-disembarkation arrangements developed by the Australian live sheep export industry. This would include guaranteed unloading regardless of the health status of the flock into facilities designed for the handling, holding and slaughter of large sheep numbers. (This could be supported by incorporating the KSA Ministry of Municipal Affairs, Department of Slaughterhouses' Circular Notes into the Arrangement). Any pre-shipment audit of the system (including competent authorities) could possibly include a representative from the NZ SPCA (which is WSPA affiliated).

- **A risk management and public communication strategy will be critical**

A detailed communication strategy would need to be developed by government and industry to support the resumed trade, setting out the actions taken by government and industry to ensure animal welfare and rebut NGO contentions.

- **A trial shipment may be a way forward**

Conditions and requirements (e.g. mandatory off-loading) have improved since the *Corno Express* incident in 2003. If NZ MAF is satisfied that the conditions and requirements of the Arrangement could be met, the first shipment should be sent as a

trial to test/check the complete system, including the on-farm, pre-export requirements in New Zealand, loading, shipping, disembarkation, holding, transport and delivery to approved slaughter premises, up to but not including slaughter.

Trade Negotiations Division  
July 2010

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Page 11 is withheld under s6(a)

### Annex B: New Zealand's Regulation of Live Animal Exports

A person or entity considering exporting live animals from New Zealand must meet three legislative requirements. These are:

i) The Animal Products Act 1999

All commercial exporters of live animals must be registered under the Act. Export requirements (zoosanitary) are issued by notice under section 60.

ii) The Animal Welfare Act 1999

An animal welfare export certificate (AWEC) is required (unless there is an exemption). Exporting without an AWEC where one is required is an offence under the Act.

iii) Declaration as to purpose of export

Applicants wishing to export live cattle, deer, sheep or goats, for any purpose must provide MAF a declaration sworn under the Oaths and Declarations Act 1957 as to the intended end use of the animals (immediate slaughter, fattening and subsequent slaughter, breeding or other use).

The export of livestock (sheep, cattle, deer and goats) for slaughter (whether immediately or in several years time<sup>4</sup>) is prohibited (Customs and Excise Act 1996 - Customs Export Prohibition (Livestock for Slaughter) Order 2007), "unless the risks to New Zealand's trade reputation can be adequately managed"<sup>5</sup>. The Director-General of MAF may approve individual consignments on a case-by-case basis ("consent to export") if judged that the risks can be adequately managed. Factors the D-G MAF may take into account when considering an exemption to the CEPO include (emphases added):

- The export is for slaughter of livestock in commercial slaughter houses;
- The importing country has requirements in place that meet the World Organisation for Animal Health (OIE Guidelines for the slaughter of animals);
- Cattle exported for slaughter must be stunned prior to slaughter in accordance with any of the methods described in the *Guidelines*;
- The importing country has requirements in place that meet the OIE's Guidelines for the transport of Animals by land, Sea and Air, in relation to the unloading and post-journey handling and transport of livestock;
- A pre-shipment audit of slaughter facilities by inspectors nominated by MAF, and carried out at the exporter's expense, demonstrates compliance with the above requirements; and

<sup>4</sup> MAF Guide to Exporting Animals

<sup>5</sup> MAFBNZ – Tighter controls on animal exports for slaughter.

<http://www.biosecurity.govt.nz/commercial-exports/animal-exports/export-livestock-slaughter>

- Any other matter the D-G MAF considers necessary to manage the risks to New Zealand's reputation as a responsible exporter of agricultural products

The D-G MAF *may require a bilateral arrangement* to be in place to support the requirements of importing countries set out above. As well as the above legislative requirements, there are a number of Standards for transporting livestock that must be met.

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C10000088-RIY

RESTRICTED  
NOT FOR CABLE EXCHANGE

FILE COPY

Yo Reference:

Our Reference: GLE/NZ/2/3, SAUNZ/19/2

FROM: Riyadh

C10000088-RIY 13/07/2010 04:34  
p.m. RIY

TO: Wellington

Routine

CC: Canberra, MEA Posts, Singapore, The Hague

Routine

MFAT: MEA, ISED, AUS, FTU, DSP4, TND, DSP5, TPLU, CEO, PATP, DSP2, Asia-S, ENV

AGENCIES: SEEMail:

P/S Assoc Min Defence, Defence MOD (Sec Def, Dep Sec P&P, IDR), NZTE

Manual:

P/S MFA, PMC (FRA DESG), P/S Defence, Defence HQNZDF (CDF, VCDF, AC SCI, DSC, IDR), Police NZ

P/S Agriculture, P/S MDAC, P/S Trade, MAF Policy (Carson), MAF Biosecurity, NZTE/Investment, P/S PMO

59(2)(a)

RE (C10000082-RIY): VISIT TO GULF SAUDI ARABIA: MINISTER OF FOREIGN AFFAIRS: LIVE ANIMAL TRADE

### Summary

shares New Zealand eagerness to resolve bilateral live animal trade for slaughter issue, but sees the ball firmly in New Zealand's court.

out of scope

### Message

### Action

For information.

out of scope

### Report

2 Ambassador made a farewell call on Saudi Minister of Agriculture **Dr Fahad Balghunaim** in Riyadh on 10 July. Minister had his key senior officials present including

59(2)(a)

Pages 2 & 3 are withheld under s6(a) and out of scope



## Office of the Prime Minister

Prime Minister  
Minister of Tourism

Ministerial Services  
Minister in Charge of the  
NZ Security Intelligence Service  
Minister Responsible for the GCSB

24 June 2010

Mr Hmood Alali Alkhalaf  
Hmood Alali Alkhalaf Trading and Transportation Est.

§ 9(2)(a)  
KINGDOM OF SAUDI ARABIA

Dear Hmood Alali Alkhalaf

Thank you for your letter of 21 May 2010 to Prime Minister John Key regarding the export of live sheep to the Kingdom of Saudi Arabia. This comprehensively outlined your interests in the consideration of the issue by New Zealand.

I would like to assure you that the Prime Minister is looking closely, in conjunction with other senior government Ministers, at the range of complex issues you raise in your letter. You can expect a fuller response to your questions in due course.

Yours sincerely

§ 9(2)(a)

Foreign Policy Advisor to the Prime Minister



MINISTRY OF  
**FOREIGN AFFAIRS & TRADE**  
MANATŪ AORERE

18 June 2010

SAU/NZ/12

Minister of Foreign Affairs  
Minister of Trade

For action by 30 June 2010

For action by 30 June 2010

**LIVE SHEEP EXPORTS: POLICY OPTIONS**

**Submission:** Issues

**Purpose:** To outline policy options and seek Ministerial guidance in relation to live sheep exports from New Zealand to the Kingdom of Saudi Arabia.

sq(2)(j)

**Comments:** No publicity is planned at this time.

**Recommended Referrals**

Prime Minister  
Minister of Agriculture

For concurrence by 5 July 2010

For concurrence by 5 July 2010

**Contacts**

Wade Armstrong Principal Advisor Trade Policy

(wk)

(hm)

sq(2)(a)

**Minister's Office Comments**

Signed / Referred

Date: \_\_/\_\_/\_\_

## Live Sheep Exports: Policy Options

s 6(a)  
s 9(2)(j)

- MFAT considers that two options exist for progressing this issue in an expeditious manner.
- 

### **Recommendations**

It is recommended that you:

- 1 Note that MFAT recommends that Option B is the preferred course of action for progressing the live sheep for export issue. Yes / No
- 2 Agree that in taking forward the development of this approach, consultation will be carried out at senior levels with the meat industry to ascertain their views on the proposed course of action. Yes / No



## Live Sheep Exports: Policy Options

- 3 **Agree** that subsequent to the outcomes of consultation with industry, officials will return to Ministers with a strategy for engaging with the Government of Saudi Arabia on this issue Yes / No

sa(2)(c)

4

Yes / No

sb(a)

- 5 **Agree** that officials develop a communications strategy for use in New Zealand and externally to explain the New Zealand position and to mitigate risk from action by animal welfare and consumer groups. Yes / No

Crawford Falconer  
for Secretary of Foreign Affairs and  
Trade

port

s6(a)

s6(a)

3 MFAT considers that in the circumstances  
two potential options exist when considering this issue.

s6(a)

Both options do carry risks for  
New Zealand, which we have outlined below.

s6(a)

s6(a)

s6(a)

6 **Option B:** This would involve New Zealand seeking to complete the negotiation of the MOU with Saudi Arabia and seek to start a limited commercially-viable annual shipment of (65,000) live sheep for the Haj pilgrimage.

It would also carry domestic political risk, although if New Zealand was able to secure high-quality commitments from Saudi Arabia on transport, unloading and commercial slaughter, this may serve to alleviate these concerns.

7 Over the last two years the Government has received a high number of letters about the possible resumption of live sheep exports, from within New Zealand and abroad. Much of the issue's profile can be attributed to international form letter-writing campaigns organised by People for the Ethical Treatment of Animals (PETA) and World Society for the Protection of Animals (WSPA). The following is a breakdown of where the approximately 13,100 letters or emails have been received:

Correspondence received on live sheep issues from 2007 – present

Prime Minister	10861*	*this includes 6306 "campaign" letters
Minister of Agriculture	902	
Embassy in Washington	80	

## Live Sheep Exports: Policy Options

Embassy in The Hague	520	
Embassy in Stockholm	1	
High Commission in London	450	
High Commission in Ottawa	290	

8 MFAT considers that opposition from animal welfare and consumer groups could be mitigated through a well managed onshore and offshore communications and outreach strategy. Such a strategy would need to emphasise the conditions that had been agreed at all stages of the process and that New Zealand and Saudi Arabia were actively working to minimise animal welfare concerns. This could be portrayed positively by both sides and would be appreciated in the wider Islamic world.

9 It is therefore the view of MFAT that **Option B** presents the preferable foreign policy course of action. It will allow us further time to work with Saudi Arabia on securing a world leading agreement on live sheep exports,

Consultation with external agencies (if required)

You Reference: ~~GCC/NZ/11~~;  
~~SAE/NZ/11/9/2~~

Our Reference: ~~SAE/NZ/11/9/2~~

FROM: Wellington (TND)

C10002851-  
WLN

04/06/2010 03:57 p.m.

TO: Wellington, Riyadh

WLN  
Routine

CC:

MFAT: MEA, LGL, TPLU, CEO, DSP2,  
PATP, FTU, DSP4

AGENCIES: SEEMail:

Manual: P/S Trade  
P/S MFA

P/S Agriculture, MAF Policy (Carson),  
PMC [FPA], P/S PMC

SAE/NZ/11/9/2  
SAE/NZ/11/9/2

~~SAE/NZ/11/9/2~~  
~~SAE/NZ/11/9/2~~  
KHALAF AND ASSAF

: GCC-NZ FTA: MEETING WITH AL-

### Summary

- Many thanks for your comprehensive message covering your meeting with Al-Khalaf and Assaf
- We are now focusing on next steps, including potential options for further action for consideration by Ministers.
- 

### Message

2. Many thanks for your comprehensive and timely message.

3. It is clear that your meeting with Al-Khalaf and Assaf has laid some important foundations in terms of restoring the relationship with these investors, and also, we hope, with the KSA government, to a more normal footing.

4. We are now focusing on next steps. TND/MEA are working on a paper of potential options for further action for our Ministers to consider in discussing the issue further with Cabinet colleagues.

SAU. NZ 1 C

(MEA)

From: (EUR)

Sent: Monday, 31 May 2010 11:59 a.m.

To: (EUR); (MEA)

Subject: P2

[UNCLASSIFIED]

Was a quick roundtable this morning chaired by s9(2)(a) Main points were:

- **live animal trade:** principal conversation was on live animal trade and issues with Saudi Arabia (KSA).
  - the prominence of this issue had increased as a result of RIY's cable over the weekend on KSA views and the letter from a significant Saudi investor (in the NZ sheep trade) to the PM outlining his concerns with how NZ has handled this issue over the last 12 years.

○

○

○

○

s6(a)

s6(a)

s6(a)

- it was also noted that this issue was likely to go into the media very soon as s9(2)(a) was looking to do a media piece on the live animal trade and its connection to the conclusion of the GOC FTA - Clare said she was suggesting that Mr Groser and Mr Carter's office coordinate on which Minister

out of scope

Page 2 is out of scope

SA-102112  
GCC/NZ/11; SAU/NZ/19/2

Your reference:

Our Reference: GCC/NZ/11; SAU/NZ/19/2

FROM: Riyadh C10000066-RIY 31/05/2010 12:03 a.m.

TO: Wellington

CC: Moscow

MFAT: TND, MEA, LGL, TPLU, CEO,  
DSP2, PATP, FTU, DSP4

AGENCIES: SEEMail:

Manual: P/S Trade P/S Agriculture, MAF Policy  
( ), P/S MFA, PMC (FPA) P/S PMO  
S9(2)(a) S9(2)(a)ATTACHMENTS: 0037194.01.doc; 0037301.01.doc; Al-Khalaf letter of 21 May to PM.pdf;  
Brownrigg letter of 24 September 2009 to Minister of Agriculture.pdf

Special Delivery Instructions: MOSCOW: ATTENTION MINISTER GROSER

S6(a) S9(2)(j) : MEETING WITH AL-KHALAF AND ASSAF

Summary

Riyadh and GCC capitals are viewing this as a litmus test of the relationship – one being watched at the highest levels of Government (possibly even by the King and Crown Prince). Saudi investors have written a last appeal letter to the Prime Minister inviting him to intervene on the issue. Their letter notes an increasing sense of injustice and frustration, of the New Zealand government acting in bad faith; of being stringed along for 7 years and incurring significant losses while a phantom MoU negotiation was undertaken; of having their positions misrepresented; of being denigrated by animal welfare groups; of having lost faith in the New Zealand Ministry of Agriculture; of watching goal posts being moved regularly; and seeing their investments in New Zealand stagnate and decline. They raise serious allegations about New Zealand imposing conditions in the negotiations that are questionable under international law

S9(2)(j)

MessageAction

Wellington : For reflection in deciding upon next steps including a draft reply to Al-K...  
letter to the PM.

### Report

Your C10-2637 and C10-2598, our C10-61 and Singapore's C10-55 refer.

2 Ambassador accompanied by DHOM met with Saudi Arabian sheep investor Hmood Al-Ali Al-Khalaf and the CEO of Alkhalaf Group of Companies Australasia, George Assaf in Riyadh on 26 May 2010.

3

We stressed that we had no mandate to offer or propose solutions, or to signal any change, now or in the future, in New Zealand's policy on the export of live sheep for slaughter. Nor could we give them any comfort that New Zealand would compromise on strict animal welfare provisions or conditions of trade. What we were offering was an opportunity to Al-Khalaf and Assaf to present their case, in confidence, in their own words and in a neutral environment. We promised to faithfully convey their representations to New Zealand ministers.

4 Having obtained acceptance on the parameters for discussion, we allowed our interlocutors to make most of the running - which they appreciated - simply to tell their story in their own words, their concerns and any ideas for moving forward if possible. They took full advantage and spoke at length,

S6(a)

S6(a)

Pages 3 to 11 are withheld under S6(a)



(MEA)

**From:** (TND)  
**Sent:** Thursday, 27 May 2010 9:36 a.m.  
**To:** (TND); (FTU)  
**Cc:** (MEA); (TND)  
**Subject:** FW: Live Sheep - Meeting with Saudi Investors  
**Importance:** High

[SEEMAIL] [RESTRICTED]

Please see below message.

has passed this on to the Minister and Crawford in Paris, also to MEA and PM's office.

is doing an article on how live sheep is holding up the FTA and wants Ministerial comment -  
 square this away. is going to talk to Carter's office to

I will keep in touch with about next steps.

**From:** (RIY)  
**Sent:** Thursday, 27 May 2010 4:13 a.m.  
**To:** (PATP);  
**Cc:** (MEA); (TND); (MEA); (RIY);  
**Subject:** Live Sheep - Meeting with Saudi Investors  
**Importance:** High

[SEEMAIL] [RESTRICTED]

[Please treat as NZ EYES-ONLY]

Just a quick note to confirm that I met with Saudi sheep investors Hmood Al-Khalaf and George Assaf in Riyadh today.

Much to ponder and digest from 3.5 hour gathering. We will get a cable to you by your Monday morning.

In brief:

Page 2 is withheld under s 6(a) and s 9(2)(a)

27/05/2010

(MEA)

From: (MIN) [mailto: @parliament.govt.nz]

Sent: Wednesday, 26 May 2010 11:29 a.m.

To: (TND)

Cc: (MIN);

(TND);

(MIN);

(PATP);

(MEA)

(MEA)

Subject: RE: Live Sheep

out of scope

Please keep us/MFA in the loop as matters develop. It seems the next step will be lunch and we will await the report on that.

Cheers

S9(2)(a)

From: (TND) [mailto: @mfat.govt.nz]

Sent: Wednesday, 26 May 2010 11:11 am

To: (MIN)

Cc: Re: (MIN);

(TND); (MIN);

(PATP);

(MEA)

Subject: FW: Live Sheep

S9(2)(a)

MEA;

[SEEMAIL] [IN CONFIDENCE]

On 21st May, we (TND/MEA) sent you the informal briefing note we produced for our meeting with Mr Groser, specifically so Mr McCully would receive the same information on live sheep that Mr Groser had, under cover of an explanatory email stating who produced the briefing, for what purpose and which invited you to contact us if you had any further questions. I attach a copy of this email and note for your reference. It seems that Mr McCully has received a briefing from Mr Carter on the briefing we provided to Mr Groser on the 20th and copied to you on the 21st.

out of scope

Deputy Director (Goods)  
Trade Negotiations Division  
Ministry of Foreign Affairs and Trade  
Tel: +  
Fax: +  
Mob: +

From: (MIN) [mailto: @parliament.govt.nz]

Sent: Wednesday, 26 May 2010 10:36 a.m.

To: (PATP);

(TND)

Cc: (MIN);

(RIY);

(MEA);

(TND);

(MIN);

(MEA)

S9(2)(a)

26/05/2010

**Subject:** GCC: Live Sheep

[seemail][in confidence]

Minister has received a briefing from Minister Carter on the GCC Live Sheep issue

s 9(2)(g)(i)

Although this is primarily a trade issue for Mr Groser, Mr Groser has encouraged Mr McCully to make an early visit to the GCC - in part to contribute to the effort to sort this problem out. There are also clearly bilateral political issues in play. For these reasons Mr McCully would like to be kept abreast of developments and proposals.

The briefing in question is not on letterhead. It appears to have been drafted by MAF and has the document number 2368346. It relates to how to address Al-Khalaf.

I suggest the best way to deal with this is for you to prepare a note for Mr McCully, drawing on existing material, which sets out the current state of play and future strategy. This need not be in the form of a submission. We could supplement this if necessary by a discussion at an MEAT Issues meeting with the Minister.

Thanks

s 9(2)(a)

out of scope

Foreign Affairs Senior Advisor  
Office of Hon Murray McCully, Minister of Foreign Affairs  
Parliament Buildings, Wellington, New Zealand  
+ office) + (mobile)

s 9(2)(a)

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C10002637-WLN

RESTRICTED

Yc. . . eference:

Our Reference:

FROM: Wellington (TND) C10002637-WLN 25/05/2010 06:01 p.m.  
TO: Riyadh Priority  
CC: Wellington Priority  
MFAT: MEA, LGL, TPLU, CEO, DSP2  
AGENCIES: SEEMail: s9(2)(a)  
Manual: MAF Policy ( ), P/S Agriculture, P/S Trade, P/S MFA

ATTACHMENTS: WELLINGTON\_n2372303\_y2\_Live\_sheep\_to\_KSA\_Revised\_talking\_points\_for\_25\_May\_2010.DOC

s9(2)(j)

### Summary

- We have reconsidered the talking points attached to C10-2598-WLN of 24 May 2010
- An amended version dated 25 May is attached

### Message

Our C10-2598-W:LN and s9(2)(a) email of 24 May refer.

2 Following further discussion in Wellington the talking points attached to our C10-2598 have been amended (attached - 25 May 2010).

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REVISED TALKING POINTS FOR AL KHALAF  
(25 May 2010)

In terms of any approach to Al-Khalaf the following points could be made.

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sb(a)

sb(a)

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT

(MEA)  
From: (PATP)  
Sent: Tuesday, 25 May 2010 9:19 a.m.  
To: (TND)  
Cc: (TND) (MEA); (MIN)  
Subject: RE: Live sheep exports - Note for MOT  
Importance: High

[SEEMAIL] [RESTRICTED]

From: (TND)  
Sent: Tuesday, 25 May 2010 9:05 a.m.  
To: (PATP)  
Cc: (TND)  
Subject: FW: Live sheep exports - Note for MOT

[SEEMAIL] [RESTRICTED]

Hi

Cheers

From: (PATP)  
Sent: Tuesday, 25 May 2010 8:34 a.m.  
To: (TND); (TND)  
Subject: FW: Live sheep exports - Note for MOT

[SEEMAIL] [RESTRICTED]

was the merlin not cleared with MAF???

From: (RIY)  
Sent: Monday, 24 May 2010 6:31 p.m.

25/05/2010

**To:** (PATP)  
**Cc:** MEA); (TND); (TND);  
 (MEA); (MIN)  
**Subject:** RE: RE: Live sheep exports - Note for MOT

[SEEMAIL] [RESTRICTED]

Thanks

C10-2598 received at post.

Will await your further joint instructions. We have 48 hours before the scheduled meeting with Al-Khalaf and Assaf at 1130 on Wednesday 26 May (KSA time).

**From:** [mailto: @maf.govt.nz]  
**Sent:** Monday, 24 May 2010 9:12 a.m.  
**To:** (RIY); (PATP)  
**Cc:** (MEA); (TND); (TND);  
 (MEA); (MIN)  
**Subject:** RE: RE: Live sheep exports - Note for MOT

I understand that a cable was being prepared in Wellington today on this issue. It hasn't got to MAF for clearance yet, but in case it gets to you today could you please put it on hold.

**From:** (RIY) [mailto: @mfat.govt.nz]  
**Sent:** Sunday, 23 May 2010 1:48 a.m.  
**To:** (PATP)  
**Cc:** (MEA); (TND); (TND);  
 (MEA); (MIN)  
**Subject:** [Requires Classification] RE: Live sheep exports - Note for MOT  
**Importance:** High

[SEEMAIL] [RESTRICTED]

Thanks for attached note which is very timely as we have only just agreed to a revised timing for a 'first' meeting with Hmood Al-Khalaf and George Assaf on Wednesday 26 May. Will study the note as requested and resort with any comments presently.

**From:** (PATP)  
**Sent:** Friday, 21 May 2010 3:19 a.m.  
**To:** (RIY)  
**Cc:** (MEA); (TND); (TND);

(MEA); (MIN)  
**Subj:** FW: Live sheep exports - Note for MOT

s9(2)(a)

[SEEMAIL] [RESTRICTED]

Herewith the latest paper which we and MAF have jointly produced (with s9(2)(a) doing a great job, with input from on the timeline at Annex A). You will note the draft Talking Points for your discussion with Al Khalaf, whenever it takes place.

2. If you can add to or correct the paper -

s6(a)

trade - then please feel free to let us know. We and MAF are both finding gaps in the files.

3. The Minister is comfortable with the paper and specifically with the Talking points for your meeting with Al Khalaf.

s6(a)

s6(a)

5. We will need to put this policy approach into a merlin next week but wanted to get this off to you meantime

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The Ministry of Agriculture and Forestry accepts no responsibility for changes made to this email or to any attachments after transmission from the office.



RESTRICTED

C10002598-WLN

Your Reference:

Our Reference: SA2102112

FROM: Wellington (TND) C10002598-WLN 24/05/2010 02:19 p.r  
TO: Riyadh Routine  
CC: Wellington Routine  
MFAT: TND, MEA, LGL, TPLU, CEO, DSP2  
AGENCIES: SEEMail: MAF Policy (s9(2)(a)), P/S Agriculture, P/S Trade  
Manual:

ATTACHMENTS: WELLINGTON\_n2372303\_v1\_Live\_sheep\_to\_KSA\_Revised\_talking\_points\_fc\_24\_May\_2010.doc

(s9(2)(j))

REVISED TALKING POINTS FOR AL KHALAF

Summary

- Officials have consulted Minister Groser (20 May) on the next steps (s9(2)(j))
- 
- The Minister has agreed with revised talking points (attached).
- We leave it to you to judge the exact terms on which you approach Al Khalaf. (s6(a))

Message

(Armstrong/Matheson e-mail of 21 May refers

2 As you know, following Minister Groser's meeting with Saudi Agriculture Minister, Dr Balghunaim, we have consulted him [MOT] on the next steps

(s6(a))

(s6(a))

Page 2 is withheld under s6(a)

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**REVISED TALKING POINTS FOR AL KHALAF  
(24 May 2010)**

In terms of any approach to Al-Khalaf the following points could be made.

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OFFICIAL INFORMATION ACT

Page 2 is withheld under s6(a)