

Report of the meeting between the Minister of Foreign Affairs

and

Hmood A Al Khalaf Group of Companies

Auckland

5 March 2012

1. Personnel present

New Zealand

Hon J McCully

Minister of Foreign Affairs

H MacMaster

Director, MEA, MFAT

s 9(2)(a)

Senior Specialist, FND, MFAT

s 9(2)(a)

Hmood A. Al Khalaf Group of Companies

Hmood Al-Ah Al-Khalaf

Group President

George Assaf

CEO Australasia Division

David Brownrigg

Brownrigg Agriculture

2. Report

The Minister welcomed the Al-Khalaf group to New Zealand and immediately gave them the opportunity to voice their concern relating to the ongoing export of livestock to Saudi Arabia (KSA).

2. George Assaf, the CEO of the Australasia Division of the Hmood A. Al Khalaf Group of Companies outlined this concern as being:

i) Live sheep for slaughter (LS4S)

LS4S was the preferred situation. Assaf questioned as to why the Arrangement between KSA and New Zealand covering the export of sheep for slaughter had not been completed. (Trade had stopped in 2003.) He said that it was better to have some sheep being exported, even on a trial basis under very strict conditions (e.g. age, transport).

ii) Live sheep for breeding (LS4B)

Assaf noted that anyone could export LS4B.

s6(a)

3. The Minister said that he understood their preferred option (LS4S) and understood that they wanted to leave that option open. He said that the Al Khalaf Group may wish New Zealand to continue to explore ways for progressing the LS4S option and that he was happy to agree to that.

MoU

4. Assaf stated the Saudi side wanted to continue work on and conclude the MOU (Arrangement) suspended in 2007. The suspension of talks on this document had been taken very hard in Riyadh. He went on to assure the Minister that Al Khalaf Group had put in the necessary infrastructure to support the export of live animals from quarantine stations to the most modern ship on the planet. The MOU was a necessary building block.

5. The Minister noted that the Minister of Agriculture may have a different view regarding the export of LS4S. He said that could the parties in principle agree that there be an MoU. Such an MoU could mirror the Australian situation and not include extraterritoriality. He understood the desire that issues be treated up to the point of disembarkation. Assaf agreed and said that they did not want any interference after landing, i.e. they did not want a third party looking over their shoulder. He said that every abattoir was government owned and that people were no longer allowed to kill animals domestically. For countries not to trust their system (i.e. landed sheep to slaughter) upset the KSA.

6. Brownrigg again raised the issue of the CEPO. The Minister repeated his earlier advice based on his discussions with MAF CE and Minister of Agriculture and acknowledged it was the right of the Saudi investors to submit an application for the export of live sheep for slaughter, but gave his honest assessment that it would be difficult to get approval for this. The decision would be that of MAF CE. Were the Govt to attempt to change the CEPO this would be a public process and could well spark a political debate that would see the opposition commit to return the CEPO to its original state when next in office.

7. The Minister said that the MoU needed to be in place so parliament could debate the export of LS4S when the bill was being discussed. The framework for export would need to be in place. He said that under the political climate it would be difficult to change the conditions of the CEPO, but the MoU could be addressed. He reiterated that he understood the desire to "keep the door open".

[Comment:

59(2)(g)(i)
56(a)

8. Hmood Al Khalaf spoke (through Assaf). Points included:
- He thanked the Minister for his time and the Minister's frankness and openness
 - He said that he would back up anything that was good for New Zealand
 - He had been investing a great deal in the LS4S trade for some time
 - The KSA government had a high regard for New Zealand, e.g. the way in which the KSA students were treated.
 - The Saudi side considered their meetings in New Zealand to have been helpful in addressing the issues. If New Zealand wanted the FTA, the 6 Gulf countries would deliver as long as New Zealand didn't interfere with the countries' territoriality.

9 Assaf commented that the six GCC countries believed that countries like New Zealand had an obligation to supply meat and this sentiment was growing stronger. At the recent GCC meeting there had been a pledge to work more closely together on this and other issues, reflected in the proposed name change from a 'Cooperation' Council to a 'United' Council.

10. The Minister said that New Zealand officials would now go away and consider in detail the questions and respond promptly.

Joint Farming Operation / Live Sheep for Breeding (LS4B)

11. The Minister also raised the issue of NZ supporting a joint farming operation in Saudi Arabia. This operation would work in tandem with the Saudis retaining their farming interests in the Hawkes Bay. Assaf commented this would be a big project and there was much to research before it could get off the ground including whether the animals would survive in the new climatic conditions. That said, he believed the project had great potential and, if successful, would be of major benefit to both countries. He would want to see though the issue of the MOU worked through in parallel order to that of the farming venture. The issue of compensation would therefore be less costly.

12. The Minister noted that he would not want any (financial) contributions to be treated as compensation as this would involve a plethora of lawyers and bureaucrats. Rather he would prefer an investment in a partnership to achieve the objective that could have been achieved by exporting LS4S. The goals would still be the same from the viewpoint of food security partnership but now we would try a different delivery method (LS4B). The Minister noted that both countries would be investing in a partnership that would help to expedite the FTA. He said the FTA required the input from business people to put the "meat on the bones"

Satellite farms in developing countries?

13. There was some discussion concerning using developing (viz. African) countries as satellite farms. The Minister said that New Zealand was keen to work in partnership with the KSA in African countries using New Zealand expertise and KSA funding to complement.

s 6 (a)

Assaf noted that the KSA Minister of Ag had also been visiting Uruguay, Brazil and Argentina and developing relations with those countries.

14. The Minister noted that the AANZFTA had been ratified and that as part of that New Zealand would be assisting the developing ASEAN countries through the Overseas Development programme. Assaf noted that New Zealand expertise could assist with production system in KSA. He said that Al Khalaf had been involved for 12 years with slaughter houses and had just been given permission for a breeding programme (by the KSA cabinet).

Further actions

15. The Minister acknowledged that the ball was in New Zealand's court with respect to:

- i) The MOU issue with respect to keeping the door open
- ii) Partnership – needed further discussion as to how to make the situation work.

16. Assaf noted that they were still in a difficult situation and they needed to know where they stood. It could be another 2-3 years before another decision was made and they needed to know for planning purposes, where to from here. A year's notice was required before any shipment.

17. The Minister said New Zealand would get back to them regarding the memorandum and timeline for the legislation (review of the Animal Welfare Act). Keeping the door open was the best approach in the short term. He suggested a step-by-step approach, i.e.

- i) Assaf wished to protect the right to export (LS4S). There would be a process as described.
- ii) New Zealand would get back to them with a firm response on the MoU – addressing the areas of concern.
- iii) On the basis that nothing may change even when the new legislation is addressed by parliament, he would want to progress the partnership with KSA to ship breeding ewes, etc.

18. The Minister went on to note the commercial issues around the partnership needed to be addressed. This would involve both MFAT (TND, MEA) and the Ministry of Agriculture. Assaf noted that much of the planning work would need to be done in New Zealand and transferred to KSA.

19. Brownrigg raised the need to be able to fill the ship (approx. 5000) to ship animals to KSA) and wondered whether dairy heifers could be shipped as well. There was also the notion of sending wethers as part of the shipment (accompanying breeding ewes) as a "trial". Commercially a buffer was needed (i.e. more animals than could be shipped) as inadvertently, some were refused export (due to physical shortcomings, possible disease problems, etc) and the boat needed to be filled. Without the trial Assaf stressed there would be too much risk for the investors, more so than they were prepared to carry. The Minister agreed this was one of the commercial issues that needed to be sorted out.

20. Al Khalaf said that the main thing was to start immediately. He was sick of telling people that "he didn't know". He needed to rebuild the trust of the farmers as well as for planning purposes. The Minister said that the NZG also needed to know. It was uniquely positioned to be involved in the GCC food security programme. He said that he would be in contact with the Al Khalaf group within the next two weeks to establish a process to move forward.

21. Al Khalaf noted that what could be good for the NZG in the Gulf would be a bit of positive publicity to the effect that the NZG was considering the options surrounding the export of live sheep to the Gulf. Assaf thanked the Minister (and officials) on behalf of the Al Khalaf group and expressed his appreciation for the very frank and honest manner that the Minister had approached the meeting. He said that: "*it was the first time that someone had listened with both their ears and heart open*"

22. The Minister thanked the Al Khalaf group for making time available and hoped for a positive outcome. He would make sure that there was a small group of officials that would be mandated to progress the issue.

Follow-up actions for MFAT (with MAF)

1. Resurrect the MoU and develop a draft based on the Australian model, i.e. guaranteeing offloading regardless of status and requiring, but NOT (NZG) auditing the systems in KSA.
2. Develop a trial that would involve a shipment (10-15k) that would test the system through to slaughter to ensure that the animal welfare aspects are covered. If satisfied that the system was in place the NZG could then in the revised MOU require assurances from the KSA that the sheep would be part of that slaughter pathway.
3. Live sheep for breeding - Joint venture (development of the LS4B project)
4. Financing the JV.

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