

United Methodist Kairos Response (UMKR)

Responds to Resolution of General Board of Pension and Health Benefits (GBPHB), United Methodist Church

March 2012

UMKR is not surprised by the Pension Board's decision to oppose the broad grassroots movement in the church to align our investments with our resolutions on Israel/ Palestine. The Board's resolution contains many misstatements, none of which are footnoted. UMKR footnotes all its work. Yet regardless of any disagreements, the question for delegates is simple: **Should our church profit from an occupation which it has repeatedly said it wants to end?**

The Pension Board suggests the "petition sponsors believe that the Israeli government has used products supplied by these companies to violate the human rights of Palestinians."

It is not about what we "believe." Human Rights Watchⁱ, Amnesty Internationalⁱⁱ, the International Committee of the Red Crossⁱⁱⁱ, Habitat International Coalition^{iv}, the UN High Commissioner on Human Rights,^v Defense for Children International^{vi}, Oxfam^{vii} and many other respected organizations have provided proof that human rights are being violated by the occupation, and United Methodist researchers have clearly demonstrated that these products are used to sustain that occupation^{viii}.

The Board quotes an SRI report saying that "(t)rustees, individuals, and committees responsible for the oversight of United Methodist assets are first legally bound to execute their responsibilities in a prudent manner,"

Keeping stock in companies that have become the targets of global campaigns highlighting their violations of human rights can have a negative effect on investment values. An example is Veolia Environnement, which has lost more than \$9 billion in contracts globally as a result of campaigns highlighting their role in Israel's occupation.^{ix} Had the Board sold its stock at the time the New England Conference notified it of this connection in 2006, it could have sold the stock for a profit. When it finally divested in 2011, the stock was worth only one third of its purchase price. Holding onto this company's stock as it lost one contract after another following pressure on municipalities from human rights groups was not a prudent move. Motorola has also been the subject of consumer boycotts related to the company's role in the occupation^x and has lost sales as a result.^{xi}

The Board states “entities must discharge their fiduciary duties in conformity with laws of the country, state, or like political unit in which they are located,”

There are no laws against our church selling any stock and redirecting its investment funds to other companies. The only US law that ever applied to economic action regarding Israel stated merely that it was illegal to support the Arab boycott of Israel. Our measure has nothing to do with a boycott of Israel or divestment from the state of Israel. It only deals with specific US and international companies and our right as investors to be sure stocks we hold reflect our values.

The Board states: “we will avoid investing in companies that significantly and consistently violate basic UM Social Principles.”

At present, the Board is not doing that. It’s the reason for our resolution.

The resolution states that the General Board makes a “conscious effort to invest in ... companies ... whose practices are consistent with the goals outlined in the Social Principles”

Companies that knowingly provide equipment used to discriminate, protect illegal settlements and destroy people’s homes and businesses are not consistent with the goals outlined in the Social Principles.

The resolution states the General Board’s “staff has extensively researched the many complex issues concerning human rights in the Middle East.”

Could the board share that extensive research? We have made ours available online, including 84 pages of research on companies profiting from the occupation.^{xii} In addition, two groups of United Methodists including clergy and laity went to the West Bank in 2010 to study the role of specific companies in the occupation. They spent at least 20% of their time with Palestinian Christians, as UM Resolutions require, while also meeting with Israeli Jews. The findings of one group are online.^{xiii} All who were on the study trips support the alignment resolution. GBGM and GBCS, which have also endorsed the alignment resolution, have sent staff repeatedly in the past few years to observe the worsening conditions on the ground. We are not aware that Pension Board staff members have visited the West Bank since 2005, when a Pension Board staff member went on a short trip to the region.

The Board says “Caterpillar Corporation continues conversations with General Board staff and other religious investors.”

Aside from a meeting arranged by the Board staff recently, it's our understanding that Caterpillar has not held meetings *on this topic* with any religious investors who take part in the Ecumenical Action Group (EAG) since 2009. The 2009 meeting was attended by representatives of GBGM, GBCS, GBPHB and ecumenical partners, all of whom agreed that it was unproductive. At the February 2012 meeting of the EAG, religious investors agreed there was no chance that further dialog would convince Caterpillar to stop selling its products for use in the occupied territories. In fact, the Pension Board staff said they have never asked Caterpillar to stop selling its products for use in the occupied territories. In a 2008 letter to the Board they stated, "We are not currently nor do we intend to advocate that Caterpillar discontinue its sale of equipment for use in the occupied territories." They refused to sign two letters to the company from other UM agencies and ecumenical partners making similar requests. Many annual conferences were under the impression that the Board was asking Caterpillar to stop its involvement in Israel's occupation.

The Board says Caterpillar "has taken positive actions to implement a Code of Conduct."

This yellow and white "Code" deals with four vague concepts: "teamwork, integrity, excellence and commitment." It has nothing to do with the company's practices in the occupied territories!

UMKR suggests delegates look at this code: <http://www.caterpillar.com/company/strategy/code-of-conduct/living-by-the-code>

The resolution says "Caterpillar has taken actions that provide humanitarian support to the Palestinian community."

We would like to see details of these actions. Again, there are no footnotes or links.

The resolution says "the Arab League investigated claims of Caterpillar's complicity with the Israeli Defense Forces and determined a boycott of Caterpillar products was not justified."

We have scoured the internet for some mention of this decision by the Arab League, and could find nothing. UMKR contacted the Arab League office in Washington, DC, to learn more. The people we spoke with were not aware of any such decision. Even if there were, we have never mentioned a boycott. We are dealing only with a proposal on how our church invests its own money and whether we want to profit from Caterpillar sales of equipment used in the occupation. The two are not related.

The resolution says "Caterpillar has publicly stated that it does not profit from the militarization of its equipment."

Does the Board really believe that Israel would still buy as many bulldozers from Caterpillar if they were not being weaponized for military use? It is able to sell those to Israel through the Foreign Military Sales program because they can be armored and weaponized, and Caterpillar's sole dealer in Israel helps with this weaponization.

The Board states "the Fiduciary and the UMC Principles Committees of the General Board's board of directors reviewed the extensive research conducted by General Board staff."

Could this be shared with the church?

Also, it states" the General Board has consistently adhered to its policies regarding shareholder advocacy with Caterpillar, Hewlett-Packard and Motorola Solutions." "staff will continue to urge these companies to protect and respect human rights, and to continue to seek a remedy for any human rights violations including, but not limited to, Palestine."

The staff recently confirmed that it has never asked any of these companies to stop providing their products for use in the occupied territories. It has refused to sign two letters sent by GBGM, GBCS and ecumenical partners to Caterpillar with this request. It also declined to co-file shareholder resolutions submitted by other UM agencies and ecumenical partners with Caterpillar and Hewlett Packard relevant to these issues.

The Board says "divestment would have limited impact on the companies listed or the human rights issues being raised ... divestment is generally an ineffective strategy to impact a company's policies or practices."

We have an article from an Israeli newspaper entitled "Targeted Boycott and Divestment Pushing Companies Out of the Settlements."^{xiv} It says divestment is already causing companies to pull out of the West Bank or avoid locating in the illegal settlements. Divestment is part of the process of shareholder action recommended by the Book of Discipline and the Board's own procedures call for this when engagement fails to produce "meaningful progress." The Board used it in the 1980's to help end apartheid, in the 1990's to convince Kmart to remove "adult" literature from its shelves, and in 2008 to convince companies not to support the Sudanese government's genocide. It also divested in 2012 from companies that run for-profit prisons.

The resolution states "Caterpillar equipment used by the Israeli Defense Forces to destroy Palestinian property was likely acquired from the U.S. Foreign Military Sales Program and not Caterpillar directly."

It is disingenuous to suggest that Caterpillar is not responsible for sale of its products to Israel, whether those are through Direct Commercial Sales or Foreign Military Sales (FMS). Almost

every military company on our “Do Not Invest” list sells its products to foreign countries through this same FMS mechanism. Is the Board suggesting that because cluster bombs and fighter jets are sold through FMS, we as a church should invest in the companies that make them? The US government’s Defense Security Cooperation Agency (DSCA) which handles these transactions states: “Except for items supplied directly from DoD inventory, the USG purchases the desired items or services from the U.S. manufacturer on behalf of the foreign government.”^{xv} It is absurd to suggest that DOD just keeps thousands of 60-ton D-9 bulldozers sitting around in warehouses, and supplies Israel’s entire army with them out of what it has on hand. Every notification of foreign military sales that goes to Congress states clearly which company has been selected as the contractor. Caterpillar is the contractor for D-9 bulldozers.

The Board states that “the Caterpillar Corporation.... has made public statements about the expected use of its products for peaceful purposes.”

Caterpillar's sole representative in Israel is helping weaponize these bulldozers for use against Palestinians in the occupied territories. In 2010 Caterpillar issued a directive to all its dealers to prohibit sales that might end up in Iran. It has taken no similar action related to sales that support Israeli settlements and military occupation. The company knowingly sells equipment used to destroy homes and civilian property, uproot orchards, and serve as weapons. There is legal precedent for holding a company accountable when it has knowledge that its products are being used to violate human rights. In the Nuremberg trials, owners of the company that manufactured Zyron B gas were convicted because, even though their government approved the sale and the product also had peaceful applications, the courts ruled they knew it was being used to kill people in concentration camps.^{xvi} There are other risks besides legal ones. Until UMKR pointed it out, the Board’s own web site stated: “We continue to write and express our belief that the company’s actions expose Caterpillar, and by extension its shareholders, to reputational and financial risk.”

For further information, please contact United Methodist Kairos Response at info@kairosresponse.org or call 678-622-3605.

ⁱ <http://www.hrw.org/world-report-2012/world-report-2012-israeloccupied-palestinian-territories>

ⁱⁱ <http://www.amnesty.org/en/library/asset/MDE15/040/2004/en/affd4f9d-d5ea-11dd-bb24-1fb85fe8fa05/mde150402004en.html>, http://www2.ohchr.org/english/bodies/cat/docs/ngos/AI_Israel42.pdf

ⁱⁱⁱ <http://www.icrc.org/eng/resources/documents/news-release/palestine-news-131207.htm>

^{iv} www.hic-mena.org/documents/1123CAT.doc

^v <http://domino.un.org/UNISPAL.NSF/0/9c172354fe3c565785256f8e006f3988?OpenDocument>

^{vi} <http://www.dci-palestine.org/documents/submission-report-situation-facing-palestinian-children-detained-occupied-east-jerusalem>

^{vii} <http://www.oxfam.org/en/pressroom/pressrelease/2011-12-13/record-number-palestinians-displaced-demolitions-quartet-continues-talk>

^{viii} http://www.neumc.org/console/files/oFiles_Library_XZXLCZ/FULL_April_2010_DTF_Report-final_RXMZAKQR.pdf
<http://www.themarker.com/dynamo/1.1618171>

^{ix} UMKR has a footnoted list of these contracts lost, with information on the pressure from groups concerned about the occupation that preceded each of these losses. In addition, the Israeli financial newspaper, The Marker, contained the following quote from Veolia Israel's CEO Arnon Fishbein: "There were pressures inside Veolia, because there are many among the group that believe the company lost a lot of contracts because of this project " [the Jerusalem Light Rail connecting to the settlements]
<http://www.themarker.com/dynamo/1.1618171>, January 26, 2012.

^x <http://www.endtheoccupation.org/section.php?id=209>

^{xi} <http://www.endtheoccupation.org/article.php?id=2463>

^{xii} http://www.neumc.org/console/files/oFiles_Library_XZXLCZ/FULL_April_2010_DTF_Report-final_RXMZAKQR.pdf

^{xiii} <http://unitedmethodistdivestment.com/ReportCorporateResearchTripWestBank2010FinalVersion3.pdf>

^{xiv} <http://coteret.com/2010/06/21/maariv-targeted-boycott-and-divestment-pushing-companies-out-of-the-settlements/>

^{xv} <http://www.disam.dsca.mil/pubs/DR/15%20Chapter.pdf>

^{xvi} http://www.worldcourts.com/imt/eng/decisions/1946.03.08_United_Kingdom_v_Tesch.pdf