

Meeting Record
Committee on Mission Responsibility Through Investment
Chicago, Illinois
June 1-2, 2007

Meeting was convened at 9:00 a.m. with devotions led by Carol Hylkema on themes of war, civil strife and working conditions that dehumanize.

Members present: Carol Hylkema (GAC and MRTI chair), Brian Ellison (Bd. of Pensions), Karen Breckenridge (ACWC), Shelly White Wood (At-Large), Adele Langworthy (Bd. of Pensions), Lynwood Battle (New Covenant Trust), Bill Saint (ACSWP), Liz Letzler (At-Large), Gary Skinner (GAC). Staff: Bill Somplatsky-Jarman (MRTI), Judy Freyer (Bd. of Pensions), and George Rue (Presbyterian Foundation). Liaisons: Don Kuespert (Represents MRTI at ICCR). Guests: Jim Berkley, Presbyterian Action of the Institute for Religion and Democracy, as a member of the press.

Excused: Bernice McIntyre (At-Large), Eugene Turner (ACREC) and Lois Clarke (Presbyterian Foundation).

Meeting Record Approval: Liz Letzler moved and Brian Ellison seconded approval of the Feb. 9-10, 2007 MRTI meeting minutes with the following notation – pg. 6 bobbie-frances mcdonald is spelled with lower case.

Report on April Trip to Israel-Palestine: Liz Letzler and Carol Hylkema reported on their recent trip to Israel/Palestine organized by Liz Knott. Liz shared the following impressions – 1) on entering Israel she was asked if she spoke Hebrew and this reminded her that she was entering a state where religious affiliation matters; 2) Palestinian people identify with the Iraqi people; 3) Palestinians are very bright, intelligent people - children learn four languages involving three different alphabets – Hebrew, English, French, Arabic; 4) Palestinian schools work on defusing tension and anger; 5) they observed that Palestinian school maps show Israel, but Israeli maps do not include Palestine [Note: a proposal by Israeli education officials to show the “Green Line of 1967” on maps in text books provoked considerable and heated discussion in Israel]; Palestinians are very gracious; 5) since the inception of the State of Israel there has been no advocacy for Arab Christians living in Israel and the Christian presence in Israel had over the years dwindled.

Carol shared with MRTI comments on the difficulties faced by Palestinians who are trying to maintain contact with retail outlets in the Old City where Palestinian arts and crafts are marketed. Multiple checkpoints make it almost impossible for artisans to bring their products to shops and stores where they can be sold. They also visited towns that have been cut off from electricity, water, and fuel. The creation of the wall that separates villages has made it impossible for Palestinian workers to get to their places of employment. Even in the presence of all these difficult conditions the Palestinian people maintain a spirit of hope for the future. They shared a brief power-point presentation showing pictures from their trip.

Conversation with Great Rivers Presbytery: MRTI welcomed representatives of Great Rivers Presbytery: the Rev. Sue Krummel, Executive Presbyter, the Rev. Forrest Krummel, the Rev. Doug Hucke and Elder Gary Davis. The purpose of the conversation was to update the representatives of Great Rivers Presbytery on the progressive engagement process with Caterpillar, and to learn from them what issues were being discussed in the congregations in the presbytery. Conversation and dialogue followed a power point presentation by Bill Somplatsky-Jarman. The presentation outlined what is known and unknown about Caterpillar's involvement, how its position has evolved to its present form, and what the history of engagement by the ecumenical community has been. Two concerns were expressed by representatives from Great Rivers Presbytery. First, Peoria is very dependent economically on Caterpillar. If Caterpillar were to leave or were to have a downturn in sales, it would significantly hurt Peoria. Second, Caterpillar employees are saying, "Why should we contribute our money to a church that says what we are doing is evil?" Discussion followed with several questions and comments being made both by MRTI and the representatives from Great Rivers Presbytery. Two questions in particular were asked by the representatives from GRP. First, where is MRTI in the process as regards Caterpillar? Second, if MRTI were to achieve its goal as regards Caterpillar what would that mean? In response to the questions there was a strong suggestion to address this issue on the local level asking the pastors of churches in Peoria to engage in reflection on moral responsibility.

The morning session was adjourned with prayer led by Shelly Wood.

Conversation with Chicago Presbytery: Following lunch MRTI welcomed representatives of Chicago Presbytery regarding MRTI's engagement with Motorola. Representing Chicago Presbytery were Peg Griffiths of the Israel/Palestine Network, Gordon Zerkel, Immediate Past Moderator of Chicago Presbytery, and the Rev. Richard Poethig, Parish Associate, Lakeview Presbyterian Church. Bill S-J presented a brief report updating the group on engagement with MRTI. The presentation outlined the company's involvement in Israel/Palestine, and provided a brief summary of the first meeting with Motorola. A portion of "The Iron Wall" was viewed and discussion followed. MRTI asked representatives of Chicago Presbytery to attempt to identify any congregations with a large number of Motorola executive personnel that are currently members in order to keep the congregations informed as engagement progresses.

Presentation on Ecumenical Cooperation: Following the break MRTI had an update on the Israel/Palestine ecumenical network. The network has had one brainstorming session and this network is in the very early stages of formation.

The shareholder proposal with **United Technologies** was presented in April and received close to enough votes to go back for another year. The final vote total should be in shortly. **ITT** has paid a multi-million dollar fine for the illegal sale of military technology and MRTI will be addressing this issue with ITT at its next meeting. **Citigroup** has addressed issues related to money laundering and has agreed to talk with

MRTI and other church groups related to micro-credit lending. A second meeting has been scheduled with **Motorola** for later in June.

Reports on Other Engagements: Highlights from other engagements from the MRTI work plan:

- **Time-Warner** – Lynwood Battle reported a follow-up meeting at which MRTI agreed to withdraw the shareholder resolution on the condition that Time-Warner would grant MRTI time at the shareholder’s meeting expressing appreciation to Time-Warner’s commitment to fair play and benefits to the supply chain and for adoption of ethical forcing guidelines. It is anticipated there will be future meetings with Time-Warner.
- **McDonald’s** – A case study was distributed related to McDonald’s attempt to manage a sustainable supply chain. McDonald has also addressed various environmental issues facing the company, describing the environmental efforts of McDonald’s. A settlement of pay for farm workers has been reached and CERES played a helpful role in the adoption of this settlement.
- **Duke Energy** was present at the CERES conference and MRTI continues to have a positive relationship with Duke Energy.
- **Sun Microsystems** is new to the CERES “system” and an initial meeting has been held. Sun Microsystems is open to continuing contact with MRTI through CERES.
- **Timberland** is also open to future consultation with MRTI through CERES
- **Violent video games** – Don Kuespert reported that FTC has levied a heavy fine to **Take Two** for issues related to video games. Progress is also made with retailers. There is a continuing issue related to electronics and the downloading of video games, etc. He stressed that members of MRTI take the initiative in bringing to the attention of churches and organizations “back home” for parents to take responsibility for monitoring video games used by their children. A chart indicating retailer responses related to the sales of video games will be released next week. Target and Best Buy are cooperating.
- **CERES conference** – CERES has an annual conference and this year the conference was held in Boston. Several CEO’s are guest speakers plus a series of workshop is included. **Dell** and **GAP** have joined CERES. A handout “Capital to the Capitol” was distributed than deals with environmental issues.

Other updates –

- Carol Hylkema attended the Social Investment Forum Symposium in Washington, D.C. and particularly the workshop related to child trafficking. A representative of the US State Department was present who has responsibility for monitoring child trafficking. Shared Hope International is an organization focused on child trafficking. “Child soldiers” is another issue related to child trafficking. There was an attempt to bring together the hotel chains for training related to the EPCAT covenant. Only one hotel responded to the invitation. Many US companies are refusing to take part in the effort to restrict child pornography and child trafficking. MRTI will continue to seek opportunity with **Hilton** and with **Carnival Cruise Lines** related to the EPCAT covenant. The report from the U.S.

Midterm Review on the Commercial Sexual Exploitation of Children in America is available through EPCAT and Shared Hope International.

Brian Ellison closed the afternoon session with prayer.

Presentation on the Palestinian Economy: Following dinner Bill Saint explored with MRTI an educational module on economic development. Bill acknowledged that he has never been to Israel or Palestine nor is he an economist. But he has spent most of his adult life working in the area of economic development in third world countries. The **size of the Palestinian economy** is about four billion dollars and about 10% of that amount depends on Palestinian income earned in Israel. Since Israel has been denying work permits this fact jeopardizes the overall income in Palestine. Fourteen percent is exports which is low and declining. Seventy percent of national income is spent on imports, mostly from Israel. There is a significant imbalance in import/export revenues and expenses in Palestine and the imbalance partly is corrected largely through the contributions of other Arab states. These total \$1.1 billion, or about \$300 per person. The income has decreased by about 26% in the past year largely because of the loss of tax revenue that is being withheld by Israel contrary to the Oslo Accords.

Obstacles to growth: World Bank analysis concludes that sustained growth in the Palestinian economy is not possible because the economy is not competitive. Several factors are at work: 1) class structure of Palestinian society, 2) they don't have access to modern technology and partnerships, 3) the increased risks due to moving products through checkpoints and closures, 4) the institutional government of Palestine is weak at this time, and 5) there is very little interest anywhere in investing in the country in order to grow the economy. In addition, if one is going to produce something most of the materials have to come through Israel and Palestine has to pay more for those materials than do others. Palestine cannot operate with minimum inventory as do most other countries. Transportation is also a problem – the airport is closed as is the seaport. Only 6% of the Palestinian population has access to internet, and 40% has access to phone communications. Most of the government tools other countries might use to stimulate the economy will not work in Palestine because the Palestinian denari is linked to the Israeli shekel, Palestinians have no access to fiscal policy and cannot increase taxes. Anyway, employment is about 28% and increasing so the raising of taxes is out. Adjusting the prime rate is also out because there is so little production going on. Palestine is mired in an economic crisis. Border closures along with the construction of the wall have limited exports and imports, and made economic recovery and development impossible. Fragmented economic space has reduced the ability to grow. Free movement is the fundamental condition for economic growth. The situation is worsening so in essence Palestine has an economy held hostage by Israel.

Assets to build on: The **Palestinian people** are poor but well educated. Most young people finish secondary school and there are four universities operative in the Palestinian area. However, they face obstacles. Family incomes are down by about one-fifth over the past year. The economic aid from outside Palestine is roughly 25% of the total Palestinian income. Most firms are family-owned and the number of employees per firm

is about three. Ninety-six percent of all firms employ less than ten persons. The time it takes to start a business in Palestine is 93 days, a little more than double of what it takes in other Arab countries. In the banking sector the requirements for collateral for loans are too stable – not movable – making it more difficult to make loans. Creditor rights are not protected by the courts and land titles are unclear. As a result banks have been switching from credit lines into consumer loans that they make to people for daily consumption.

Scenarios for the future: First, the government falls apart because the economy has fallen apart. Second, the economy is heavily dependent on foreign aid for consumption – this is the current situation. Third, is a change in the import/export situation so a more predictable future is possible? The problems are all political, not economic. Pro-active economic investment by the Presbyterian Church (USA), or other U.S. churches, is unlikely to make much of an impact on the Palestinian economy. However, there are three options for investment capital. 1) The church could invest in the Palestinian stock market; or 2) the church could help capitalize a loan guarantee fund; or 3) the church could involve itself in micro-credit. Even with these options, a political solution is required before the Palestinian economy will have a chance of ending its “hostage” status.

In conclusion any investment decision would require an on-the-ground assessment and monitoring and we don’t have this on-the-ground presence required. Thus we must find partners experienced in economic development who have the on-the-ground presence.

Following the above presentation MRTI entered into a discussion related to alternatives for the future.

Saturday, June 2, 2007

Morning Devotion: Saturday morning’s session began with a devotion led by Gary Skinner who focused attention on readings from an essay by Amos Oz entitled “between right and wrong.”

Next Meeting Date: The next meeting of MRTI will be held in Los Angeles on Nov. 8-10 and will include an educational event related to child trafficking. The meeting in Los Angeles will allow MRTI an opportunity to meet with Time-Warner representatives and also representatives of Hilton.

Discussion of Divestment as a Strategy Regarding Sudan: Bill S-J introduced two power point presentations – “Investment or Divestment? Tackling Corporate Support for Pariah Regimes” by Simon Billenness, Consultant on Corporate Campaigns and SRI Board Member; and “Sudan Divestment Task Force”, a project of the Genocide Intervention Network. There is discussion at present within the socially responsible investing community regarding divestment and Darfur. Basically it reflects the long-existing debate between how long to pursue corporate engagement before deciding to proceed to divestment, and the differing views on what can be expected of corporations operating in countries with significant human rights violations.

Mr. Billenness is active in the campaigns around corporate involvement in Burma. His presentation advocates for corporate engagement as a method of sustained pressure and public education. He argues that once divestment occurs, the pressure of shareholder resolutions and corporate dialogue is removed. The Task Force, in contrast, notes that the vast majority of corporations strategically or significantly involved in Sudan are non-U.S., and mostly Asian. The Chinese, Indian and Malaysian oil firms are predominantly state-controlled with a minority of shares available for public purchase. Opportunities for engagement are limited by different legal systems, logistics and lack of a robust SRI movement in those countries. Thus, the public witness of divestment should be used.

The Task Force has also adopted an approach very similar to the “phased, selective divestment” approach used by the PCUSA. Their research divides corporations into categories according to the strategic nature of their involvement. Companies are then ranked as “Highest Offenders” and “Continued Engagement Recommended.” Thus, they do not have a total divestment posture. They do update the lists quarterly.

Following discussion of the various approaches, MRTI took note that the Board of Pensions, the Foundation and New Covenant Funds do not currently own stock in any companies involved in Sudan/Darfur that are listed in the “Highest Offender” category where the Task Force recommends divestment. Stock is currently owned in four companies in the “Continued Engagement” category, but they are minor players of relatively little concern to the Task Force. Further, there clearly is a need for continuing education across the church regarding the human rights issues involved in the Sudan/Darfur and urges churchwide education regarding this issue.

Motion: Gary Skinner moved and Karen Breckenridge seconded that MRTI authorize MRTI staff, in consultation with Bd. of Pensions and Foundation staff related to MRTI, to prepare a narrative report on results of investigations by MRTI to date regarding Sudan/Darfur for presentation at the September 2007 GAC meeting. **Motion passed.**

Reports of Member Groups:

Advocacy Committee on Women’s Concerns (ACWC) – met with other advocacy committees in Louisville and shared mutual concerns related to immigration and women concerns. ACWC has begun looking at the child trafficking issue and also on the status of women in the church. The next ACWC meeting is in Philadelphia with the Board of Pensions.

Advocacy Committee on Racial Ethnic Concerns (ACREC) – No report.

Presbyterian Foundation/New Covenant Funds -- George Rue reported on behalf of the Foundation. The investment performance of the Foundation has thus far been positive this year. Officially now the GA provides no funding to the Foundation for any of it operating expenses. George is having to separate himself as Chief Investment Officer for the Foundation and will be hiring a new CIO for the Foundation. George will

continue to be CIO for New Covenant Trust and will also continue to attend MRTI meetings.

Advisory Committee on Social Witness Policy (ACSWP)—Bill Saint reported that ACSWP is in the process of updating the “social creed” for the Presbyterian Church (USA). The original social creed was developed one hundred years ago. Related to and as a part of the formation of a new social creed, issues related to globalization are being addressed. ACSWP also has a task force on homelessness. There is also attention being given to issues in Columbia and also on the human rights abuses at the Smithfield Foods plants in North Carolina.

Board of Pensions – Judy Freyer reported on behalf of the Board of Pensions. Currently the portfolio is valued in excess of eight billion dollars and more than 90% of the portfolio is related to the pension fund. Performance of the portfolio today has been very positive.

General Assembly Council—Carol Hylkema reported on the GAC. The GAC has been reorganized into four focus groupings and new leadership has been elected for each of the four groupings. The work of the GAC staff is organized around six different goal areas. There are a number of new people in staff leadership positions in the GAC.

Concluding Thoughts: There were words of appreciation for the good work of Carol and Bill S-J.

The meeting was adjourned with prayer led by Bill Saint.

Respectfully submitted,

Gary Skinner, recorder pro tem

APPROVED: November 9, 2007