



MISSION RESPONSIBILITY THROUGH INVESTMENT COMMITTEE

August 2005 Update

August Decision

On August 5, 2005, the Mission Responsibility Through Investment

Committee (MRTI) of the Presbyterian Church (U.S.A.) announced that it will begin its process of “progressive engagement” with five companies whose practices contribute to the ongoing violence that plagues Israel and Palestine. The Committee’s action is in response to a resolution passed last year by the church’s General Assembly and is consistent with the church’s long-standing practice of ensuring its investments are used to further its mission.

Companies Named

When MRTI begins progressive engagement with a corporation, it does so hoping for an ongoing, positive investor relationship. There is no ill will; the companies are ones in which PC(USA) is invested, and which employ Presbyterians. The purpose of progressive engagement is one of transformative involvement. MRTI hopes for productive conversations that can illuminate the practice in question with honesty and transparency. And MRTI hopes to work together with the corporation toward efforts that support a just peace.

With regard to the conflict in Israel/Palestine, MRTI has named five corporations who present the possibility for productive, transformative conversations that can work towards a vision of justice and peace in the region.

Caterpillar Peoria, IL

Description: Caterpillar is a large manufacturer of heavy equipment used by the Israeli military and privately-owned companies under contract with Israeli government authorities. The equipment is used for demolition of Palestinian homes, the uprooting of olive trees, construction of roads and infrastructure in the occupied territories for use only by Israeli settlers, and facilitating military incursions by widening roads for the passage of tanks and armored vehicles.

Previous engagement: MRTI has had periodic contact with Caterpillar over the last twenty years on a variety of issues.

Citigroup New York, NY

Description: Citigroup is a large international bank cited by the Wall Street Journal on April 20, 2005, for having “moved substantial sums for the same suspected terrorists who used Arab Bank...” This involved transferring funds to Arab Bank from charities based in the United States, Saudi Arabia, Kuwait and elsewhere, later seen to be fronts in part for funneling money to terrorist organizations.

Some of these funds ended up as payments to the families of Palestinian suicide bombers. The bank’s defense is that it “has ‘industry-leading’ controls against money laundering,” and follows rigorous procedures throughout its business.

Previous engagement: MRTI has had regular contact with Citigroup over the last twenty years on a variety of issues.

Who owns the stocks?

The shares are held by two PC(USA) entities:

Pension Trust for retired church workers
(Board of Pensions)

Presbyterian Church (U.S.A.) Foundation/New
Covenant Growth Funds

ITT Industries White Plains, NY

Description: ITT Industries is a diversified manufacturer that supplies the Israeli military with communications and night vision equipment used by its forces in the occupied territories.

Previous engagement: MRTI has had little contact with ITT Industries over the last twenty years.

Motorola Schaumburg, IL

Description: Motorola is a large electronics and telecommunications company with a wholly-owned subsidiary in Israel that has extensive ties to the Israeli military. For example, it recently won a contract to develop encrypted wireless communications for the military that it uses in the occupied territories. The company also is a majority investor in one of Israel’s four cell phone companies. The investment is controversial because the cell phone companies, according to the Oslo Agreement of 1995, must be licensed by the Palestinian Authority to operate in the West Bank and Gaza. This is not followed as the companies place their equipment in Israeli settlements with sufficient capacity to cover every Palestinian community. Without regulation, the companies have undercut prices and threatened the ability of the Palestinian cell phone company to survive. They also take advantage of the Israeli government policy of delaying or prohibiting the importation of modern equipment into Palestine. In addition, such practices evade taxes (estimated at over \$40 million) that could help the Palestinian Authority develop its economy, and deprive Palestinian operators of revenue (estimated at over \$500 million). The lost taxes and revenue go into the Israeli economy, and probably into the settlements through fees





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for placing equipment and discounts for cell phone service.
Previous engagement: MRTI has had periodic contact with Motorola over the last twenty years.

United Technologies Hartford, CT

Description: United Technologies is a large military contractor whose subsidiary has provided helicopters to the Israeli military. They have been used in attacks in the occupied territories against suspected Palestinian terrorists. The company also provides other military hardware.

Previous engagement: United Technologies was previously on the General Assembly's military-related divestment list, but was removed following revisions to the policy a few years ago. MRTI has not had contact with the company.

Criteria:

Companies named to the focus list were selected based on criteria developed by the Committee in November, 2004, which directed research toward corporations whose activities and products are used to:

- ◆ support and maintain the occupation
- ◆ establish, expand, or maintain Israeli settlements
- ◆ support or facilitate violent acts by Israelis or Palestinians against innocent civilians
- ◆ support or facilitate the construction of the Separation Barrier

Process: What is “phased, selective divestment”?

MRTI's work of progressive engagement is part of a deliberative process. Divestment is the last resort in a process designed to bring about productive corporate change and, hopefully, change throughout the region. The engagement process (known as “phased, selective divestment”) has existed formally for over twenty years. The process is described below:

1. MRTI has begun correspondence and dialogue with the leadership of the five corporations, soliciting the involvement of appropriate PC(USA) governing bodies. The purpose of this phase is to identify desirable changes in the company's role in Israel and Palestine.
2. If MRTI is convinced that these conversations prove unproductive, shareholder resolutions can be filed. As necessary, MRTI will request the General Assembly Council for approval of such resolutions.
3. MRTI works ecumenically. Throughout the process, in cooperation with ecumenical partners, MRTI monitors the progress made by the five corporations.
4. If MRTI is persuaded that a particular multinational corporation, after extensive engagement, remains uncooperative or has refused to be in dialogue, MRTI will prepare a recommendation to the General Assembly Council asking the General Assembly to place the corporation on the divestment/proscription list.

**More information:
www.pcusa.org/mrti
(800) 872-3283**

