Profiting from the Occupation

Corporate complicity in Israel’s crimes against the Palestinian people
Preface

War is one of the chief causes of poverty. War can completely undermine a country’s development prospects, destroying schools and hospitals and putting agricultural land out of use for years to come. Fully 80% of the world’s 20 poorest countries have suffered a major war in the past 15 years, and the human legacy continues long after. Nine of the 10 countries with the world’s highest child mortality rates have suffered from conflict in recent years.¹

Yet not everyone is made poorer by war. Many companies thrive off conflict, whether through supplying military hardware to armed forces or running mercenary armies on behalf of combatant states. Others fuel conflict through their operations in war zones, such as oil companies in volatile countries like Colombia and Iraq, or through their continued trade in goods such as blood diamonds. Others profit from financing the war effort.

This report forms part of War on Want’s new campaign to confront those companies which profit from war. The aim of the campaign is to expose the many different ways in which the corporate sector is involved in conflict, and to suggest public action to call such companies to account. The campaign complements War on Want’s longstanding support for our partners in conflict zones: some of the world’s bravest men and women, on the front line in the struggle for human rights.

This report examines corporate involvement in the military occupation of Palestine, focusing in particular on the three sectors of construction, retail and transport. As well as providing information on the activities of these companies, the report calls on all readers to take action to bring them to account. This is War on Want’s mission more widely: to support people in developing countries in their struggle for survival, but also to inspire people in rich countries to challenge the root causes of poverty around the world.

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Palestine is in the grip of a humanitarian catastrophe. The United Nations reports that 70% of Palestinians are now living in poverty, a figure which will rise still further if current conditions continue. The Palestinian economy is collapsing, with GDP set to fall by 27% by the end of 2006. The World Bank is calling 2006 “by a margin, the worst year in the West Bank and Gaza’s dismal recent economic history”.

This crisis is a direct result of Israel’s military occupation of Palestine and its recent intensification of action against the Palestinian people. As described in this report, Israel is tightening its noose around Palestinians living in the West Bank through the continued expansion of settlements and the construction of the Separation Wall on occupied Palestinian land. Suspension of EU and US aid to the newly elected Palestinian government and Israel’s refusal to hand over tax revenues owing to the Palestinian Authority have exacerbated the problem, as have the tightened restrictions imposed by Israel on Palestinians’ movement. As the UN warns, “The extent of the collapse should not be underestimated.”

Yet despite this unprecedented crisis, many Western companies actively support Israel’s occupation of Palestine through their business operations. Familiar high street names are directly involved in projects which contribute to the misery of the Palestinian people, and which threaten to prolong their suffering for years to come. This report brings together for the first time a catalogue of corporate support for the occupation of Palestine, in the three sectors of construction, retail and transport.

In the first case, bulldozers supplied by companies such as Caterpillar, Volvo and Daewoo are used by the Israeli army to destroy Palestinian homes, schools, orchards and olive groves. Equipment from these companies and from British construction group JCB is also used in the construction of Israel’s Separation Wall, ruled illegal by the International Court of Justice but being built to completion regardless. The UN has condemned such corporate complicity in the violation of Palestinians’ human rights, but there has been no official action to bring it to an end.

In the retail sector, British supermarkets such as Tesco, Waitrose and Sainsbury’s sell produce grown in Israeli settlements within the West Bank and Golan Heights. These settlements are illegal under international law, yet supermarkets sell their produce under the label of ‘Made in Israel’, concealing the fact that they are actually made in territories under military occupation. This report focuses in particular on wine from the settlements sold in British supermarkets, and on the export agency Agrexco, which is responsible for exporting two thirds of all produce from the settlements of the West Bank.

The third case study of corporate support for the Occupation concerns French transport company Connex, once familiar for running trains in and out of London. Connex is a central partner in the light rail system currently under construction in Jerusalem, which aims to link the city to illegal settlements in the West Bank. As a result, the rail system will be built on occupied Palestinian land, in contravention of international law.
In all three of these cases, the companies in question are helping to create ‘facts on the ground’ which will preclude any possibility of a viable Palestinian state. They can be considered complicit in the violation of Palestinians' human rights as a result of their operations in occupied Palestinian territory. Yet Western governments have failed to take any action to stop corporate involvement in the occupation of Palestine, even though they have an obligation to do so under the Fourth Geneva Convention. It is left up to individuals to take action and call such companies to account.
Construction, destruction

To Western consumers, Caterpillar is best known for its rugged boots, bags and clothing. Volvo makes sturdy, reliable cars while Daewoo occupies the ‘cheap and cheerful’ end of the auto market. Yet all three companies have one thing in common: their bulldozers are being used by the Israeli army to destroy Palestinian homes, schools, orchards and olive groves, and their machines are building Israel’s illegal Separation Wall.

According to the United Nations, around 4,500 Palestinian homes have been destroyed by the Israeli army since September 2000. The Israeli Committee Against House Demolitions calculates that Israel has demolished some 12,000 Palestinian homes since 1967, whether in punitive or military actions or simply because the Israeli authorities decide they do not have the correct permits (so-called ‘administrative’ demolitions). Over 70,000 people have seen their homes destroyed in these operations, while many more have seen their farms, fruit trees and olive trees razed to the ground.

The United Nations has singled out Caterpillar in particular for its complicity in the violation of Palestinian human rights (see box). While Volvo and Daewoo equipment is used by contractors employed by the Israeli state, Caterpillar supplies its bulldozers directly to the Israeli military as weaponry under the USA’s Foreign Military Sales Program. Caterpillar D9 armoured bulldozers have become an indispensable part of the Israeli army’s arsenal, being used in every major military operation in occupied Palestine. According to one Israeli military commander, Caterpillar bulldozers have

Caterpillar: the case for disinvestment

As a direct supplier of bulldozers to the Israeli army for military use, Caterpillar has attracted particular criticism for its role in supporting the Occupation. UN Special Rapporteur Jean Ziegler complained to Caterpillar’s chief executive Jim Owens in May 2004 that Israeli forces were “using armoured bulldozers supplied by your company to destroy agricultural farms, greenhouses, ancient olive groves and agricultural fields planted with crops, as well as numerous Palestinian homes and sometimes human lives”.

Several churches have begun to explore the possibility of disinvesting from Caterpillar. In August 2005 the Presbyterian Church USA included Caterpillar as one of the five companies it would target for ‘progressive engagement’ over its role in Palestine, with the possibility of disinvestment at a later date. In June 2005 the Anglican Consultative Council urged member churches of the worldwide Anglican communion to examine their investments in companies supporting the occupation of Palestine. The General Synod of the Church of England duly voted in February 2006 to withdraw its £2.2 million investment from Caterpillar, although the Church Commissioners have not followed the Synod’s steer.
become “the key weapon” in urban warfare support.⁴

In addition to their use in the demolition of Palestinian homes and farms, the bulldozers supplied by Caterpillar, Volvo and Daewoo have been used in Israel’s construction of its Separation Wall. Despite the International Court of Justice ruling in July 2004 that the Wall is illegal under international law, and the UN General Assembly’s subsequent resolution calling on Israel to comply with its legal obligations, the Israeli cabinet approved a new 420-mile route for the Wall in February 2005. To date over 170 miles of the Wall have been completed and a further 100 miles are under construction.⁵

Fully 75% of the Separation Wall is to be built on Palestinian territory rather than on Israel’s border, the Green Line. This means that the Wall will effectively annex 10% of the West Bank to Israel, including settlements which are home to three quarters of all Israeli settlers. Despite initial protestations that the Wall was a security measure, Israeli officials have now begun to admit that it will serve a political purpose by including the settlements within Israeli-controlled territory. Israel’s former Justice Minister Tzipi Livni stated publicly in November 2005 that the Wall would serve as “the future border of the state of Israel”; and that High Court rulings on the Wall were “drawing the country’s borders”. The State Prosecutor’s Office confirmed in June 2006 that the route of the Wall will indeed have “political implications” for the future.⁶

The Separation Wall has already caused immense hardship to the Palestinian people. The Wall has cut through Palestinian towns and villages, severing communities and cutting people off from their relatives, schools and hospitals. Palestinians face increasing difficulty in gaining access to their own lands in the ‘closed zone’ behind the Wall as a result of Israel’s tightening of its closure system. In his May 2006 report to the UN General Assembly, UN Secretary-General Kofi Annan confirmed: “The Israeli closure system is a primary cause of poverty and humanitarian crisis in the occupied Palestinian territory, and restricts Palestinian access to health and education services, employment, markets and social and religious networks.”

The use of machinery supplied by Volvo, Daewoo and Caterpillar in the construction of the Separation Wall and the demolition of Palestinian homes implicates those companies in Israel’s illegal activities. War on Want research in Palestine has confirmed earlier reports that machinery from British construction company JCB is also being used in work around the Separation Wall. In all these cases, the companies concerned must take action to ensure their products are not employed by Israel in war crimes against the Palestinian people.
Many of Britain’s high street stores stock goods which have been produced in Israeli settlements within occupied Palestinian territory. These settlements represent the physical reality of the Occupation as experienced by Palestinians on a daily basis, and export revenue is important to their economic sustainability. Stores which sell settlement produce are thereby supporting the Occupation.

Israel has built an extensive network of settlements on land which it captured during the 1967 Six Day War. There are currently 135 official settlements in the West Bank and occupied Jerusalem, plus a further 100 unofficial settlements, or ‘outposts’. These settlements are now home to over 450,000 Israelis, whose towns and cities are built on occupied Palestinian territory and who farm many thousands of acres of the best Palestinian land.

The UN Security Council has called Israel’s settlements a “flagrant violation” of article 49 of the Fourth Geneva Convention, which forbids population transfer into territory occupied in war. Under the Rome Statute of the International Criminal Court, such population transfer is also a war crime. Over the past 40 years the UN has repeatedly called on Israel to comply with international law and dismantle the settlements, but Israel has instead expanded them at an increasing rate. Most recently, Israel has intensified this expansion with the explicit aim of creating ‘facts on the ground’ which will be impossible to reverse in any future negotiations, thereby denying the possibility of a viable Palestinian state. UN Special Rapporteur John Dugard has called this policy “completely unacceptable to the international community”.

The impact of the settlements on the daily lives of Palestinians goes beyond the confiscation of their land and destruction of their homes. Between them, Israel and its settlements use 83% of the water available from West Bank aquifers, leaving just 17% for the Palestinian inhabitants of the West Bank itself. The construction of a network of ‘settler only’ roads has severely curtailed Palestinians’ freedom of movement, while the restrictions imposed by military checkpoints have been widely compared to the ‘pass laws’ of apartheid South Africa. Settlers are protected by the Israeli military and use this protection to commit acts of violence against Palestinians with impunity. According to the UN, this settler violence is on the increase.

Originating as it does from illegally occupied land, settlement produce is supposed to be excluded from the preferential treatment which Israeli exports to the UK enjoy under the EU-Israel Association Agreement. In order to overcome the fact that settlement produce has traditionally been labelled ‘made in Israel’, the EU now requires Israeli exporters to indicate the place of origin of their goods so that the correct import duty can be charged on them. However, the arrangement does not extend to labelling to consumers, so that by the time settlement produce is sold in supermarkets it can again be labelled ‘made in Israel’. In the case of fruit and vegetables, settlement produce is often mixed in with Israeli produce, making it impossible to detect.

In some cases, however, high street chains are clearly selling produce which has originated
from the settlements and not from Israel itself. The case against Agrexco, the largest exporter of produce from the settlements, is explored in more detail overleaf. Supermarkets such as Tesco and Waitrose openly stock items which are known to come from settlements, such as snacks from Beigel & Beigel, which operates out of the West Bank settlement of Barkan and markets its products as “delicious, nutritious and guilt free”. Selfridges sells the Ahava range of skin and hair care products, which are made in the West Bank settlement of Mitzpe Shalem. Argos, Tesco and Sainsbury’s sell Soda Stream products from the Mishor Adumim settlement outside East Jerusalem.

Wine provides a clear example of supermarkets selling settlement produce, despite repeated calls for them to stop doing so. Tesco, Selfridges and Sainsbury’s sell Barkan wine from the West Bank settlement mentioned above. According to research by Israeli peace group Gush Shalom, the company produces its wine within the Barkan industrial zone in order to benefit from the zone’s status as a ‘development area’ and the incentives this attracts. It then markets the wine from its sales office in Hulda Kibbutz inside Israel, thereby obscuring its place of origin from overseas customers as well as from the growing number of Israeli consumers who do not wish to buy settlement produce.

Israel captured the Golan Heights from Syria in 1967, at the same time as it occupied the West Bank and Gaza Strip. Today the Golan Heights remain illegally occupied territory, with 33 Israeli settlements housing over 20,000 settlers. Golan wine accounts for over a third of all Israel’s wine exports, with Tesco, Waitrose and Selfridges openly selling Yarden wine from the Golan Heights Winery, marketed as ‘Wine of Israel’. Sweden’s alcohol marketing board tried to introduce new labelling for wines from the Golan Heights as ‘produce of Israeli-occupied Syrian territory’, but was quickly forced to back down. The Golan Heights settlements also produce mineral water for export, notably the Mei Eden brand produced in the largest settlement, Katzrin. The Israeli daily Haaretz took pleasure in noting that bottles of Mei Eden were in evidence at No 10 Downing Street during the June 2006 visit of Israeli Prime Minister Ehud Olmert to London. Others were less amused that the British Prime Minister should be offering his guests refreshments produced on illegally occupied land.
Agrexco is Israel's largest exporter of fresh agricultural produce. Established in 1956, the company is 50% owned by the Israeli state, with the remaining 50% split equally between the country's agricultural production board and the Tnuva cooperative, Israel's largest food company. However, the government announced in June 2006 that it is to privatise Agrexco by selling off its half of the company to producers, although the sale could take years to complete.  

Agrexco is riding the wave of success which Israeli exports of fresh produce have enjoyed over the past few years. In the 12 months to end October 2005, such exports totalled $860 million, a rise of 72% in just three years. Agrexco accounts for around 70% of Israeli fresh produce sold abroad, and the company's annual sales are expected to reach $750 million in 2006.  

In the UK Agrexco is best known under the brand name Carmel, with products sold in all the main supermarkets. The UK is far and away the most important foreign market for Israeli vegetables, accounting for 60% of all exports (the next most important market, the USA, accounts for just 20% of Israeli vegetable sales). Agrexco exports a wide range of fresh produce to the UK, including peppers, tomatoes, strawberries, herbs, spices, flowers and avocados, and has registered a dramatic increase in British sales over the past few years.  

In addition to being the single largest exporter of Israeli fruit and vegetables, Agrexco is also the largest exporter of settlement produce for sale overseas. During the January 2006 trial of seven activists charged with blockading the Agrexco UK distribution centre in protest at its operations in occupied Palestine, Amos Orr, general manager of Agrexco UK, affirmed that Agrexco handles 60-70% of all produce exported from Israeli settlements. Orr was also required to provide the court with a disclosure of Agrexco UK's imports from Israel and the Occupied Territories, which listed transactions with the West Bank settlements of Tomer, Mehola, Hamra, Ro'i, Massua, Patzrael, Mekhora, Netiv Ha-Gdud and Bet Ha-Arava. The protestors were cleared of all charges.  

Agrexco has been particularly active in the Jordan Valley, which has become a key part of Israel's plan to expand its settlements and deny the Palestinians the possibility of a viable state. In June 2005 the Israeli ministry of agriculture announced a programme to double the number of settlers in the Jordan Valley in the space of two years through the construction of new housing and the provision of grants for agricultural development of up to $22 million. In a television interview in February 2006, Israeli Prime Minister Ehud Olmert confirmed his government's intention to annex the Jordan Valley to Israel and thus cut off any future Palestinian state from direct links to any neighbouring country.  

The Jordan Valley is one of the most fertile parts of the West Bank, perfectly suited to the production of fruit, flowers and vegetables. In the first move of Olmert's annexation plan, house demolitions have been stepped up and restrictions on Palestinians' movement tightened. Only those Palestinians with Jordan Valley ID cards are granted access through the military checkpoints which have been thrown up around the area, while many who
own land there are now prevented from farming it. According to research on the ground by Israeli human rights group B’Tselem, Israel has effectively annexed the Jordan Valley already.19

Israel's actions have caused a humanitarian crisis for Palestinians still living in the Jordan Valley. There is particular concern over Israel's denial of water to Palestinian residents in order to satisfy the high consumption levels of the settlements and their agricultural operations. Palestinian villages such as Tammun and Jiftlik have been deliberately denied access to running water, while Israel is constructing new reservoirs to provide for the planned expansion of its settler presence. The colonisation of the Jordan Valley is illegal under the Fourth Geneva Convention and a war crime according to the International Criminal Court, and Agrexco's operations form part of that colonisation.
Connex is a familiar name to commuters in south-east England, having run trains in and out of London for seven years before its franchise was terminated for poor financial management in 2003. Less well known is that Connex is the central partner in a new $500 million light rail system designed to link Jerusalem to the illegal settlements of the occupied West Bank. As such the company is playing a key role in Israel’s attempt to make its annexation of the Palestinian territory of East Jerusalem irreversible.

In 2002 the CityPass consortium consisting of French companies Connex and Alstrom plus two Israeli companies was awarded the $500 million contract to build and operate Jerusalem’s light rail system. The project is planned for completion by 2020; Alstrom is to provide the trains and Connex will be responsible for the operation of the line for the next 30 years. The tramway will run from the west of the city to the major Israeli settlements of French Hill, Neve Ya’akov and Pisgat Ze’ev, with further lines to settlements such as Gilo (near Bethlehem) and Ramot. All of these settlements are in East Jerusalem.

Yet as UN Special Rapporteur John Dugard has reaffirmed, “East Jerusalem is not part of Israel. On the contrary, it is occupied territory, subject to the Fourth Geneva Convention. Unfortunately, Israel’s illegal attempt at annexation of East Jerusalem has obscured this truth.”

More specifically, Israel has pursued an intensive programme of expansion in and around East Jerusalem, constructing settlement blocs which are now home to 200,000 settlers. The Israeli government’s massive E-1 expansion programme plans to link Israeli West Jerusalem to the West Bank settlement of Ma’ale Adumim via a corridor which would cut off Palestinian East Jerusalem from the rest of the West Bank. As Professor Jeff Halper of the Israeli Committee Against House Demolitions has written, “Since 40% of the Palestinian economy revolves around Jerusalem and its tourist-based economy, the E-1 plan effectively cuts the economic heart out of any Palestinian state, rendering it nothing more than a set of non-viable Indian reservations.”

In November 2005 the heads of the EU missions in Jerusalem and Ramallah prepared an internal report on Israel’s operations in East Jerusalem. The report stated: “The EU, along with most of the rest of the international community, does not recognise Israel’s unilateral annexation of East Jerusalem and regards the East Jerusalem ‘neighbourhoods’ as illegal settlements like any others – but this does not deter Israel from expanding them.” The report concluded that the EU should make a clear statement calling for an immediate halt to this settlement expansion; EU ministers, however, refused to publish the report.

The Israeli government has openly stated that the Connex light rail system is part of its programme to complete the annexation of East Jerusalem. Taking part in the ceremony to sign the light rail agreement on 17 July 2005, the then Israeli Prime Minister Ariel Sharon praised the “exceptional job” being done by the municipal authorities in taking forward the project, adding: “Anything that can be done to strengthen Jerusalem, construct it, expand it and sustain it for eternity as the capital of the
Jewish people and the united capital of the State of Israel, should be done.”

As a result of its role in constructing the tramway to Israel’s settlements in East Jerusalem, Connex is directly implicated in the illegal occupation of Palestinian territory. Yet the long-term impact of the company’s actions could be even more far-reaching. As the EU heads of mission noted, “Israeli policies are reducing the possibility of reaching a final status agreement on Jerusalem that any Palestinian could accept.” As a willing agent of those policies, Connex is thereby undermining any chance of a just peace for the Palestinian people.
War on Want believes that companies must be brought to account for their complicity in Israel’s crimes against the Palestinian people. Ultimately there must be a binding international framework of regulation to ensure corporations’ accountability for their activities around the world. At the moment, however, it is up to individual people to apply pressure both on the companies in question and on the government. Readers are therefore encouraged to take the following actions in order to raise the issue of corporate complicity in the Occupation:

1. **Write to the companies**
   Write to the companies mentioned in this report to express concern at their support for Israel’s military occupation of Palestine. In particular, we suggest writing to the following:
   - Amos Orr, General Manager, Agrexco, Carmel House, 4F Swallowfield Way, Hayes, Middlesex UB3 1DQ
   - Tony Helsham, President, Volvo Construction Equipment, Clayton Road, Birchwood, Warrington, Cheshire WA3 6PH
   - Lee Tae-Yong, Daewoo International, 216 Melton Road, Leicester LE4 7PG
   - Sir Anthony Bamford, Chairman, JCB, Rocester, Staffordshire ST14 5JP

2. **Use your consumer power**
   As noted in this report, supermarkets do not have to distinguish between produce made in Israel and goods made in Israeli settlements in occupied Palestinian territory – even though the distinction is made at customs for the purposes of taxing imports correctly. Ask your local store manager whether they can confirm that all produce labelled as made in Israel has in fact come from Israel, and not from illegal Israeli settlements in occupied Palestine. If they can’t, ask them to check for you back through the supply chain.

3. **Call for proper labelling**
   Following on from the above, we are also calling for there to be proper labelling to distinguish between produce from Israel and from the occupied Palestinian territory. As the Department for Environment, Food and Rural Affairs states in its guidance on labelling of produce grown in the Occupied Territories, the purpose of EU labelling rules is “to avoid misleading the consumer”. Yet in respect of produce from occupied Palestine, we risk being kept in the dark. Write to Rt Hon David Miliband MP, Secretary of State for Environment, Food and Rural Affairs, DEFRA, Nobel House, 17 Smith Square, London SW1P 3JR asking for action to resolve this issue.

4. **Call for government action**
   The UK is a party to the Fourth Geneva Convention and thereby obliged to ensure respect for the provisions of that Convention. This obligation was reaffirmed by the International Court of Justice in its July 2004 ruling on the Separation Wall. Write to Rt Hon Margaret Beckett MP, Foreign Secretary, Foreign and Commonwealth Office, King Charles Street, London SW1A 2AH asking what action the British government aims to take to comply with its obligations under the Fourth Geneva Convention in respect of companies operating in support of Israel’s occupation of Palestine.

**Follow War on Want’s campaigns**
We need your support if our campaigns on Palestine and on corporate accountability are to be successful. Join us and keep up with our campaigns at www.waronwant.org/campaigns
7. Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan. UN Doc A/61/67-E/2006/13, 3 May 2006; see also the reports on settler violence from Israeli human rights centre B’Tselem: www.btselem.org
8. ibid.
12. Economic and social repercussions of the Israeli occupation on the living conditions of the Palestinian people in the occupied Palestinian territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan. UN Doc A/61/67-E/2006/13, 3 May 2006; see also the reports on settler violence from Israeli human rights centre B’Tselem: www.btselem.org
19. ‘Israel has de facto annexed the Jordan Valley’, B’Tselem, 13 February 2006
23. ‘PM Sharon’s Statements at the Ceremony for the Signing of the Light Train Agreement’, Prime Minister’s Office, 17 July 2005

Notes