



Questions and Answers

Occupation, Inc.: How Settlement Businesses Contribute to Israel's Violations of Palestinian Rights

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More than half a million Israeli settlers live in 237 settlements in the Israeli-occupied West Bank, including East Jerusalem. Successive Israeli governments have facilitated this process, even though settlements are unlawful under international humanitarian law and are part and parcel of Israeli policies that dispossess, discriminate against, and abuse the human rights of Palestinians.

But the system is not just propagated by the Israeli government; it also depends on the involvement of a multitude of businesses that operate in the settlements. *Human Rights Watch* examined the role of businesses that operate in settlements, finance settlement construction, provide services to settlers, or trade with settlement businesses. It assessed **such activities under businesses' human rights responsibilities**, as articulated in the United Nations Guiding Principles on Business and Human Rights.

1. What is Human Rights Watch calling for businesses to do and why?

Businesses have human rights responsibilities under international standards. For example, the United Nations Guiding Principles on Business and Human Rights obligate companies around the globe to conduct due diligence and mitigate any harmful human rights impact of their activities. These principles apply to companies working anywhere in the world and throughout their entire supply chains. Countries are expected to respect these standards and develop guidelines to implement them.

Human Rights Watch found that, in the context of settlements, business activities contribute to and benefit from Israel's violations of Palestinians' rights and international humanitarian law. Because the violations are intrinsic to abusive, harmful, and long-standing Israeli policies and practices in the West Bank, the only way settlement

businesses can avoid or mitigate contributing to abuses in line with their responsibilities under the UN Guiding Principles is by ending their operations in settlements or in settlement-related commercial activity.

The Human Rights Watch case studies show how settlement businesses are integral to the abusive settlement system because they:

- help make settlements sustainable by providing services and employment to settlers and paying taxes to settlement municipalities;
- depend on and contribute to the unlawful confiscation of Palestinian land and resources by financing, developing, and marketing settlement homes; and
- are **inextricably linked to and benefit from Israel's discriminatory policies** that encourage settlements and harshly restrict Palestinians, such as privileged access to Israeli-issued construction permits and licenses to extract natural resources that should be used only for the benefit of the Palestinian population of the occupied territory.

2. What is Human Rights Watch calling for countries to do and why?

Countries have a duty under international humanitarian law not to legitimize (even if inadvertently) Israel's **transfer of its civilians** into settlements in occupied territory or any claimed sovereignty over settlements. In practice, this means that countries should not treat goods produced in settlements as though they were made in Israel, such as by **importing them labeled as "Made in Israel" or under preferential tariff agreements that apply to Israeli products.** Nor can they recognize Israeli officials' legal authority to certify goods produced there as complying with applicable regulations, such as those for organic goods.

Mislabeling settlement products as "Made in Israel" may also violate consumer protection regulations in the receiving countries that prohibit misleading customers. Consumers should have the information they need, such as where products are from, to make informed decisions.

In November 2015, the European Union released an interpretative notice prohibiting the **import of settlement goods labeled "Made in Israel,"** citing its duty not to recognize Israeli sovereignty over the occupied Palestinian territories as well as the requirements of EU consumer protection laws. For similar reasons, since 2005, European Union regulations

mandate that goods produced in settlements may not benefit from the EU free trade agreement with Israel, so exporters must pay seven percent customs fees.

Since 1995, United States customs regulations have required goods originating in the West Bank and Gaza to be labeled as such – and specifically prohibit them from being labeled **“Made in Israel.”** However, US customs officials have not been enforcing these regulations for goods originating in Israeli settlements.

The UN Guiding Principles call on countries to respect the principles and develop guidelines to implement them. A number of countries are developing national action plans for this purpose. Countries should provide guidance to companies operating in conflict-affected areas, including in situations of military occupation such as the occupied Palestinian territories.

3. What are the practical implications for businesses?

The UN Guiding Principles on Business and Human Rights, which provided the framework for the Human Rights Watch research, apply to businesses operating anywhere in the world and throughout their supply chains, obligating them to ensure or certify that their relationships with other businesses are not tainted by abuses. This is why Human Rights Watch is recommending that businesses both cease settlement-related activities and conduct human rights due diligence to ensure that their business relationships are free from settlement-related products or investments.

Company A does not need to stop doing business with Company B just because Company B produces some of the goods it sells in a settlement or uses some settlement-made inputs. However, Company A does have a responsibility to verify that the goods it purchases from Company B were not produced in the settlement factory and do not include settlement inputs.

4. How is the Human Rights Watch recommendation to businesses to suspend settlement-related business activities distinct from a recommendation for a boycott and how does it relate to the BDS movement?

Human Rights Watch has not taken a position to support or oppose the call by some groups for consumers to boycott settlement goods or Israel at large. These groups,

supporting a movement that was initiated in Palestine and collectively referred to as the BDS movement, have advocated boycott, divestment, and sanctions to pressure Israel to end its military occupation and achieve other political goals.

The Human Rights Watch recommendations are limited to calling on businesses with direct relationships to end their settlement-related activities. Human Rights Watch did not address business activities inside the green line; and did not recommend that businesses end relationships with other businesses just because they have connections to settlements, but only to verify that their own supply chains do not involve settlement-related activities.

In addition, the Human Rights Watch recommendations are not directed at consumers or individual investors, and do not advocate consumer boycott, divestment, or sanctions. The recommendations are not intended as a means to pressure Israel toward a particular end. Rather, they reflect what businesses should do to comply with their own human rights responsibilities.

Finally, Human Rights Watch did not address cultural or academic collaboration by a business with Israel or the settlements.

5. Has Human Rights Watch ever previously called on businesses to cease activities?

Human Rights Watch investigates and reports on businesses' contribution to human rights abuses around the world. In most cases, businesses are able to address or end the abuses in which they are implicated without halting their operations, and this is reflected in Human Rights Watch recommendations and advocacy.

However, in cases where this is not possible, Human Rights Watch has advocated that certain types of businesses cease operating. That is the case for businesses engaged in activities related to Israeli settlements, since the Human Rights Watch research finds that such business activities contribute to abuses that are beyond the control of companies to mitigate.

There are a number of other such examples. In 2009-10, Human Rights Watch [urged](#) companies not to source diamonds from Zimbabwe because of serious and ongoing abuses in the sector. In 2007-08, Human Rights Watch [recommended](#) that companies operating in Burma that substantially benefit the military or are associated with serious human rights abuses – including in the petroleum, mining and logging sectors – should freeze such operations. And in 2003, Human Rights Watch [called](#) on oil companies, contractors, and subcontractors working in Sudan to suspend their activities due to serious abuses related to oil operations on the ground and the use of oil revenue by the government.

6. Wouldn't Palestinians lose an important source of employment if companies left the settlements?

Settlement businesses do not remedy their contribution to serious human rights and international humanitarian law violations by providing jobs to Palestinians. As a practical matter, many of the Palestinians with whom Human Rights Watch spoke described being stuck in a Catch-22. They recognize that by working for settlement businesses, they are helping to entrench a situation that violates their rights and robs them of their previous sources of livelihood, but feel they have no other choice. Human Rights Watch sought to describe this trap by **demonstrating how Israel's discriminatory restrictions choke the Palestinian economy, stymie businesses, and impoverish individuals**. The World Bank estimates that if Israel lifted its restrictions on Palestinians in Area C (the area under **Israel's exclusive** control), it would generate US\$3.4 billion annually, raising the Palestinian GDP by one-third.

Indeed, some of the Palestinian workers in settlement businesses used to work on their own land or in Palestinian businesses, but because of land confiscation, inadequate access to water, and discriminatory restrictions, they have lost their sources of livelihood and are relegated to working for the very enterprises that displaced Palestinian businesses and farms.

Moreover, given the proximity between Israel and the West Bank, Palestinian employees may be able to retain their jobs in the event a company located in a settlement relocates to Israel. In fact, the report includes a case study of a textile manufacturer that relocated from

a settlement industrial zone to a site inside of Israel and that has retained its Palestinian employees.

7. How big is the settlement business economy and how does Human Rights Watch define a settlement business?

There are approximately 1,000 companies operating in 16 to 20 settlement industrial zones; 9,300 hectares of settlement agricultural land; and 11 licensed settlement quarries. This represents only a part of the settlement economy, which also includes companies servicing and financing settlements.

Israeli-administered quarries and crushers in the West Bank produce 10 to 12 million tons of stone annually. These quarries transfer 94 percent of their product to the Israeli market, **and, according to a National Mining and Quarrying Outline plan prepared by Israel's** Ministry of Interior, provide about one quarter of the total consumption of quarrying materials for the Israeli economy. Israel collects royalties, at a rate of approximately \$1.20 per ton, from the Israeli quarry owners, and settlement municipalities collect taxes.

According to the Israeli Finance Ministry, in 2013 Israel exported more than \$600 million worth of industrial goods manufactured in Israeli settlements, including in East Jerusalem and the Golan Heights. Goods originating in Israeli settlements account for about a half percent of Israeli industrial exports and 1.5 percent of agricultural exports worldwide, according to the Finance Ministry.

Annual Israeli exports to the European Union, Israel's largest trading partner, include about \$300 million in goods originating in settlements, according to the World Bank. **Israel's Finance Ministry says that 2.5 percent of agricultural exports and 1.5 percent of industrial exports to the EU originate in settlements.**

However, the value of settlement exports is significantly higher when taking into account goods partially produced in or including inputs from settlements.

8. Are the Human Rights Watch findings applicable in all cases of occupation?

The principles used in this research apply to any other situation of occupation.

Businesses operating in occupied territory need to conduct due diligence to ensure that they are operating in line with their human rights responsibilities and are not contributing to violations of international humanitarian law. For example, they need to ensure that their use of resources is with the consent and for the benefit of the protected population and that they are not assisting violations of international humanitarian law and human rights, **such as by transferring the occupier's civilian population** into the occupied territory. If they cannot verify that this is the case, they should cease their activities there.

Countries also need to assess their trade relationship with these territories in line with their duty not to recognize the occupying power as sovereign over the territory it occupies. For example, countries should not import goods produced in Western Sahara labeled as Made in Morocco or under preferential tariff agreements with Morocco.

Governments and courts have applied the same principles in other situations of occupation. **Following Russia's occupation of Crimea and Sevastopol, the European Union** introduced restrictions on economic exchanges with Crimea, including a ban on all imports of goods originating in Crimea or Sevastopol unless they have Ukrainian certificates and a prohibition for Europeans and EU-based companies from investing there. The regulation **specifically justifies these restrictions on the basis of "EU's non-recognition policy of the illegal annexation of Crimea and Sevastopol."**

Similarly, in December 2015, the General Court of the European Union [held that](#) the EU-Morocco Agreement on agriculture, processed agriculture, and fisheries products does not apply to Western Sahara. The EU considers Western Sahara a non-self-governing territory administered by Morocco, rather than under military occupation, but the court nevertheless **found that the agreement may "indirectly encourage" violations of the fundamental rights of the Sahrawi people or that the EU may "benefit from them,"** contravening the EU's responsibilities under the UN charter.