



The Economy of the Occupation

Part 6

The Question of Sanctions and a Boycott against Israel

Shir Hever



The Alternative Information Center (AIC)

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“IT IS IN FACT ASTONISHING THAT THE DIVESTMENT CAMPAIGN SHOULD HAVE GENERATED SO MUCH CONTROVERSY, GIVEN THAT ITS PRIMARY DEMAND IS SIMPLY THAT A COUNTRY THAT IS SHOWERED WITH OFFICIAL AND UNOFFICIAL AMERICAN ASSISTANCE [...] MERELY ACKNOWLEDGE AND IMPLEMENT THE RULE OF LAW.”

—Saree Makdisi¹

1. Background on Sanctions

At first glance, the Israeli economy is stronger than ever. Israeli economists are exhilarated, and claim that the Israeli market is one of the largest and fastest-growing importing/exporting economies in the world. But economic analysis must go further, and unveil the implications of the Israeli economy’s dependence on international trade. Now more than ever, Israel is vulnerable to economic sanctions. This is the international community’s opportunity to force Israel to respect the human and national rights of the Palestinians, and to stop many of the abuses that have become its central policies.

This article will focus on the role of economic sanctions, and will not deal with either military or cultural and political sanctions.

Human-rights’ organizations are often equivocal about sanctions

A. What Are Sanctions?

The official definition of sanctions is: “Economic or military coercive measures, usually adopted by several nations acting in concert, in order to force a nation violating international law to desist or yield to adjudication.”²

Sanctions discriminate against countries, and should not be taken lightly. When sanctions target an entire country, innocent citizens (and in Israel’s case, innocent subjects) are bound to be affected. Sanctions also require a great deal of coordination and cooperation; an effective sanctions campaign can take a long time to launch. If the political situation changes, adapting the sanctions to the new situation can take time as well.³

For these reasons, human rights’ organizations are often equivocal about

boycotting and sanctions, and worry that they are a form of collective punishment. Proponents of sanctions against Israel must arm themselves not only with arguments against supporters of Israel, but also with answers for human rights' activists who doubt whether sanctions are justified.

Let us remember, however, that sanctions are a relatively non-violent form of pressure which may help protect Palestinian rights in this violent and bloody conflict. The reasons for sanctions against Israel will not be discussed here at length. Further material on why such sanctions are justified may be found in the following sources, among others:

The best-known sanctions were those against South Africa

1. Barghouti, Omar, 2004, "Boycott as Resistance: The Moral Dimension," *The Electronic Intifada*, 28.12.04, <http://electronicintifada.net/cgi-bin/artman/exec/view.cgi/10/3462>
2. Taraki, Lisa, 2002, "In Defense of Sanctions Against Israel," *Counterpunch*, 10.5.02, <http://www.counterpunch.org/taraki0510.html>
3. Stop the Wall, 2005, The Call for Boycott, Sanctions, and Divestment against *Israeli Apartheid*, Stop the Wall, <http://www.stopthewall.org/downloads/pdf/boycott%20factsheet%20updated.pdf>

4. *All-Majdal*, 2005, "BDS – Boycott, Divestment, Sanctions," No. 26, Summer 2005, Bethlehem. The issue was dedicated to the question of the boycott.

5. *News from Within*, 2006, "The Case for Boycott," Vol. XXII, No. 1, January 2006, Jerusalem. The issue was dedicated to the question of the boycott.

B. When were Sanctions Used?

Unfortunately, sanctions have not always been used to promote human rights: often they have led to great suffering.

For example, the US sanctions on Iraq (1990-2003) have come under severe criticism for affecting the civilian population and bringing on a humanitarian crisis. Amnesty International organized a world-wide campaign against the sanctions, which are estimated to have led to the death of hundreds of thousands.

The best-known sanctions for human rights' purposes were those against the Apartheid regime in South Africa, imposed between 1986 and 1992. These sanctions will be discussed below.⁵

C. What Makes for a Successful Sanctions Campaign?

The goal of sanctions is to put pressure on governments who knowingly commit

human rights' violations or war atrocities. Sanctions make it difficult for the targeted government to raise funds and to import weapons and raw materials for arms production.

Many governments that persecute or openly attack civilian populations can do so through the support of businessmen who can make a profit from the conflict. Sanctions limit the cash available to the targeted governments. Consequently there are fewer profits for businesses to make.⁶

In addition, sanctions have a strong political effect. They force the targeted government to try to defend its actions to the international community, thus raising valuable debate. Through this debate, violations can become widely known and the political pressure on the government in question may increase. A sanctions campaign can become the flagship in a larger campaign to defend the rights of a persecuted people. Oft-quoted UN research on sanctions by David Cortright, and George Lopez suggests that sanctions can bring on a "rally around the flag," but may also cause a political backlash. Cortright, President of the Fourth Freedom Forum and a professor of political science, and Lopez, Senior Fellow at the Joan B.

Sanctions force the targeted government to defend its actions before the international community

Sanctions can empower resistance groups within the targeted country

Kroc Institute for International Peace Studies and a professor of political science as well, published their research in 2000.⁷

Finally, the political effects of sanctions can empower resistance groups within the targeted country. By giving the oppressed international support, the international community also protects the political resistance movement within the targeted state. The targeted government is made to realize that the conflict cannot be decided simply by force of arms or unilateral actions, since their victims have a political weapon. This can lead to a situation of more evenly balanced powers, and can serve to promote negotiation and compromise.⁸

2. The Call for a Boycott

A. Recent Calls for a Boycott and for Sanctions

One of the effects of economic globalization is the proliferation of sanctions as a means of non-violent pressure against countries violating human rights. The United Nations Security Council (UNSC) has imposed sanctions only twice between 1945-1990, and 12 times from 1991-1999. However, the justification and effectiveness of these sanctions remain questionable.⁹

Calls for a boycott, divestment and sanctions against Israel in response to the occupation have been made by various groups (Palestinian, international and Israeli) throughout the history of the occupation. Recently, there was a rise in international awareness of the subject, and several recent statements deserve special notice.¹⁰

In July 2004 the Presbyterian Church's General Assembly passed a resolution for selective divestment from companies that profit from the occupation. In February 2005, the World Council of Churches, combining 340

churches worldwide issued a similar resolution.¹¹

In August 2005, the Presbyterian Church U.S.A. announced that it will divest from four companies that are known for selling equipment frequently used by the Israeli army, companies which consequently profit from the occupation. These companies – Caterpillar, Motorola, ITT Industries and United Technologies – were selected from a broad list of companies that provide equipment to the Israeli army. In order to appear more even-handed, the church also decided to divest from Citigroup, because of its alleged connections

to Islamic charity groups that provide help to families of suicide bombers.¹²

In March 2005, the student assembly at the University of Michigan voted on and published a resolution calling on the University of Michigan to withdraw funds from companies that support the Israeli occupation. The resolution stated that the University of Michigan invested over US \$11 million in military companies whose products or services directly support the occupation.¹³

The Presbyterian Church passed resolutions for selective divestment against companies that profit from the occupation

In April 2005, Israeli professor Ilan Pappé from the Haifa University published a call for an academic boycott on Israeli universities that support the occupation.¹⁴ An academic boycott imposed by the British Association of University Professors in April targeted two Israeli universities for “collaborating with the crimes of the occupation.” The boycott was rescinded a month later due to immense pressure applied by Israeli scholars.¹⁵

In June 2005, The Israeli Committee Against House Demolitions (ICAHD) issued a statement supporting selective divestment and a boycott in order to put moral and economic pressure on Israel to end the occupation. ICAHD’s call for sanctions was intended to make Israeli policymakers, military officers and businessmen accountable for their violations of international law. ICAHD especially noted three reasons for the sanctions: massive house demolitions of Palestinian homes; violation of the “Association Agreement” with the European Union which stipulates that the origin of goods made in the settlements must be made known to European buyers, and the violation of the “Arms Control Act” which decrees that US-made weapons must not be used against unarmed civilians.¹⁶

In July 2005, some two hundred Palestinian civil society organizations put

together a call for a boycott and sanctions against Israel. A hundred and seventy one NGOs have already signed the petition as of writing of these lines. The statement of the call was:¹⁷

House demolitions and weapon use against unarmed civilians are among the reasons for a boycott cited by ICAHD

“We, representatives of Palestinian civil society, call upon international civil society organizations and people of conscience all over the world to impose broad boycotts and implement divestment initiatives against Israel similar to those applied to South Africa in the Apartheid era. We appeal to you to pressure your respective states to impose embargoes and sanctions against Israel. We also invite conscientious Israelis to support this Call, for the sake of justice and genuine peace.”

In January 2006, an article titled “Boycott Israel” was published in *Global Agenda Magazine*. Mazin Qumsiyeh, the author, is a human-rights activist in the US and a staunch supporter of the Palestinian struggle for independence. The magazine was distributed in the World Economic Forum in Davos, where the executive chairman consequently issued a formal apology. Supporters of Israel attempted to suppress the article and managed to get it deleted from the magazine’s website, but it had already reached a wide audience.¹⁸

3. Israel's Strength



wealth of natural resources provided the government with an ample supply of alternative raw materials, and its economy was thus able to withstand the pressures.²⁰

Israel has a strong economy, and is a large exporter. It is the world's biggest exporter of fertilizers, polished diamonds and industrial oils. It exports 57% of the total world exports of fertilizers, 34% of the total exports of polished diamonds, 26% of the total exports of industrial oils and 12% of the total weapons sales.²¹

The question therefore arises, would sanctions put effective pressure on Israel at all?

A. Foreign Currency Surplus

Israel's international trade position is currently quite strong. After decades of borrowing money and dependency on foreign aid, in 2002 Israel became a lending market and has since remained one. The accumulated foreign aid that Israel received from the US and Germany gave Israel a powerful base of foreign currency which strengthened its economy.²²

Sanctions are not always successful at achieving political results. Robert Pape, a professor of political science, claims that only 5% of economic sanctions are effective.¹⁹

The sanctions on South Africa, for example, are generally considered to have been ineffective, and to have played only a minor role in the abolition of the Apartheid regime there. South Africa's

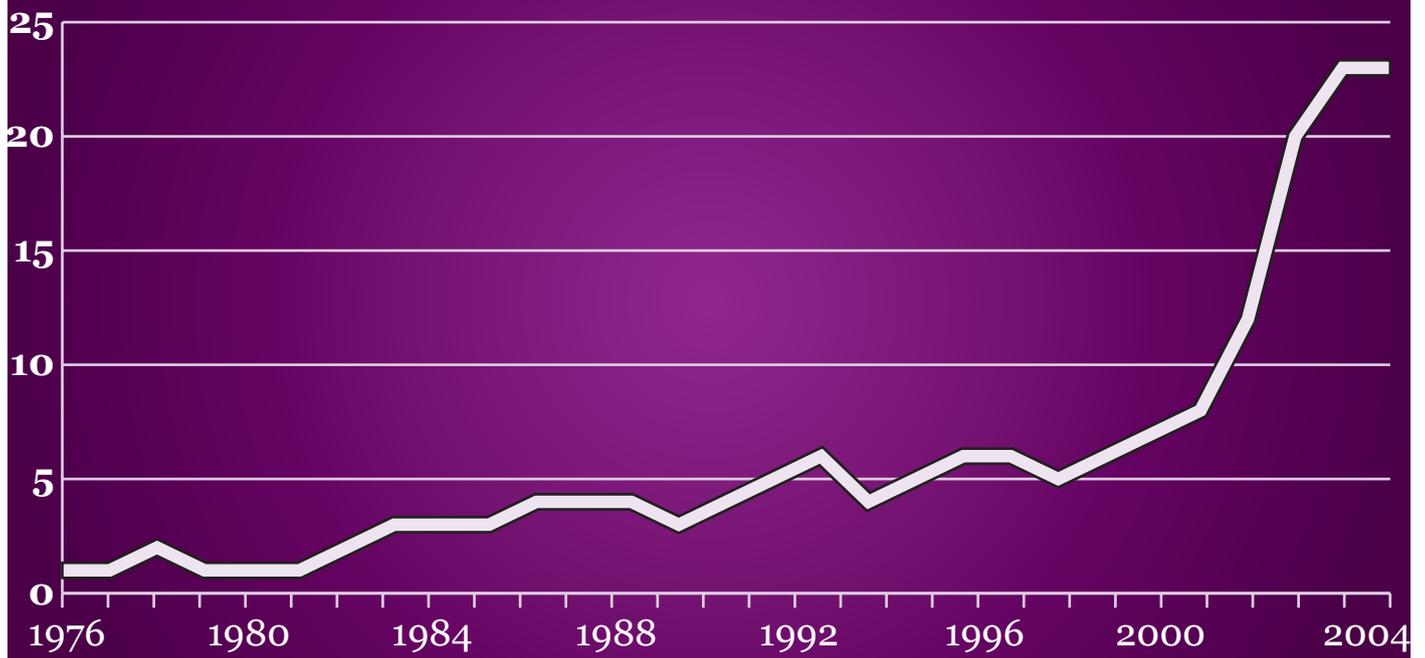
Israel is a large-scale exporter and lender of funds

In 2005, Israel lent over US \$20.8 billion to countries and companies around the world. Most of the loans were given by private banks and other financial businesses.²³

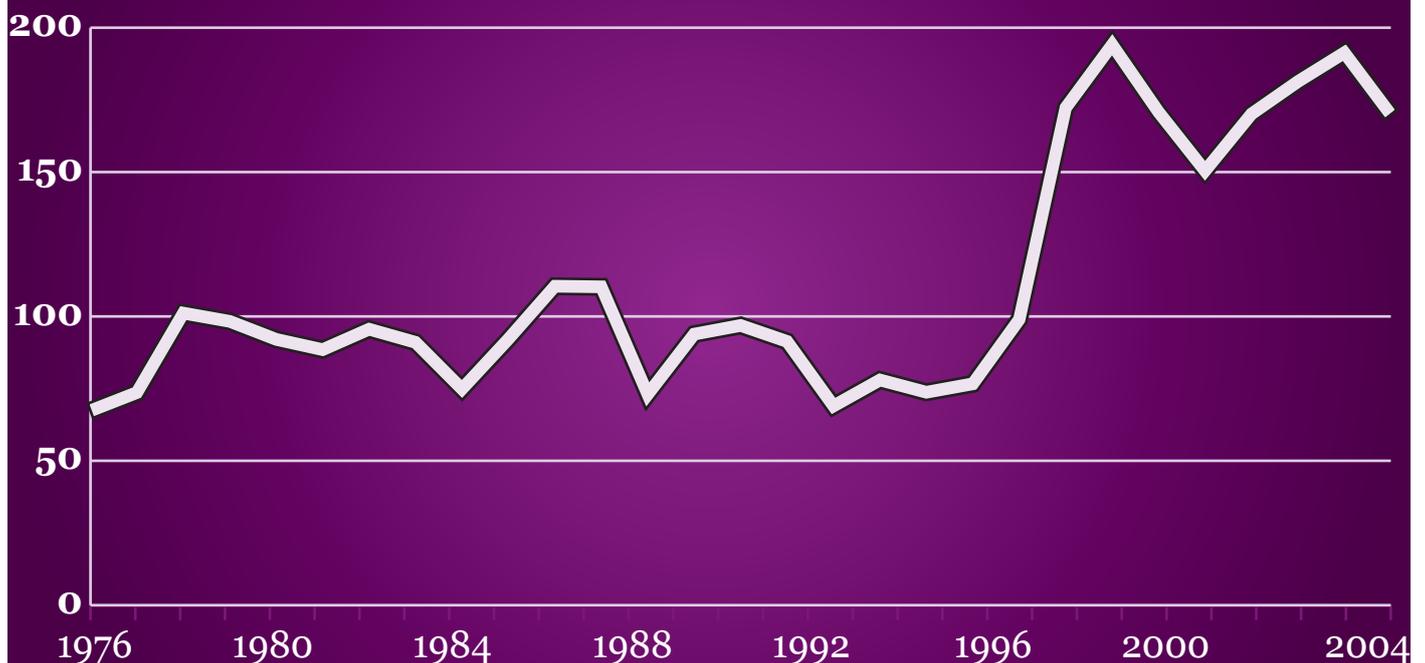
One indication of Israel's strengthening position in the global economy

is the increase in the reserves held by the Central Bank of Israel (CBI); these have seen a marked rise since 1996. In 2005, the governor of the CBI stated that he believes that the Israeli market is very strong, as demonstrated by the exchange.²⁴

Graph 1: CBI Reserves (billions of US dollars):



Graph 1: CBI Reserves (days of import):



Another factor is Israel's dependence on exports. If Israel was forced to rely only on the reserves held by the CBI (without revenue from exports), it could continue importing only for a limited time. One indication of Israel's ability to withstand sanctions is the length of time over which the CBI reserves could

fund imports. This is a tradeoff between the size of the CBI reserves, and the level of imports that Israel has become accustomed to.

AS GRAPH 2 shows, over the years, the number of days for which the CBI could support imports has increased. The ma-



major factor contributing to this increase was a 1996 U.S grant of US \$9 billion.

As a result, in 1998 Israel had the highest effective reserves ever – enough for 194 days of imports. Since then the reserves are gradually eroding again.²⁵

Another contribution to the flow of foreign currency into Israel was the increased humanitarian assistance to the OPT. Starting in 1994, international donors began funneling humanitarian assistance to the Palestinians in an effort to stave off the humanitarian crisis in the OPT. Israel imposes a series of taxes and tariffs on this aid, which, along with outright confiscations, allow it to appropriate large portions of these funds.²⁶

The increase in effective reserves took place despite the fact that the total expenditure on imports has increased, as shown in GRAPH 3. GRAPH 3 also demonstrates that exports are gradually catching up to imports, and that Israel's trade deficit is therefore on the decline.²⁷

According to Israel's Central Bureau of Statistics, exports sharply increased in 2004, a further indication of Israel's strong position in the world market. While this data is reported to be grossly exaggerated, there are new indications that in 2005 exports continue to increase, especially exports to Europe.²⁸

Israel is the 4th
biggest seller of arms to
developing countries

B. The Arms Trade

Israel is one of the biggest arms producers, importers and exporters in the world. In 2001, Israel was the 10th biggest arms exporter in the world, and was able to export 75% of its total arms production (the remainder was for domestic use). That year, Israel provided 10% of the total arms exports in the world. In the past decade, Israel sold various military systems to over 57 countries.²⁹

In arms sales to developing countries, however, Israel is the 4th biggest seller. In 2004, Israel's sale of armaments to developing countries amounted to US \$1.2 billion, falling below only the US, Russia and the UK.³⁰

Israel's exports improved after September 11, as Israel pursued a foreign policy which conflates its suppression of the Palestinian resistance with the US "War on Terrorism." This foreign policy had some success, as Israeli military companies reinforced their reputation as "experts" in fighting terrorism and substantially increased their export profits.³¹

C. The Arab Boycott

The Arab Boycott on Israel constituted the first and most well-known sanctions against Israel: its apparent failure suggests that future sanctions may also fail.

Arab countries have boycotted Israel even before the state was officially declared. The boycott was initiated to protest the overtaking of Palestinian lands by the Zionist movement, which the Arab nations perceived as yet another colonial movement. Once the state was declared, the boycott prohibited direct trade with Israel and was also directed at companies that traded with Israel.³²

During the first decades of Israel's existence and up to the late 80s and early 90s, the effects of this boycott on Israel were relatively marginal. Firstly, the world was less globalized then, and Israel was content to maintain trade relations with a limited number of nations. Secondly, at the time national ideals were far more important to most Israelis than any remote prospects of attaining wealth through international trade. Austerity was viewed as a patriotic sacrifice, and the Israeli economy was still centered on agriculture and industry, rather than on trade.³³

In 1977, the US Congress passed a bill prohibiting US companies from cooperating with the Arab boycott. Many other countries joined the US opposition to the boycott.³⁴

Since 1993 and the dawn of the Oslo peace process, the boycott was gradually eliminated as many countries stopped abiding by it. In July 2001, several Arab

countries attempted to reinstate the boycott in response to the massive Israeli attacks against the Palestinian population during the second Intifada, but this attempt met with little success.³⁵

The final blow to the Arab Boycott seems imminent. As Saudi Arabia prepares to join the World Bank Organization (WTO), it is required to lift sanctions from Israel. Thus one of the countries which implemented the Arab

Boycott on Israel most strictly will withdraw it. Under US pressure, Persian Gulf countries have also announced that they will withdraw the boycott.³⁶ Israeli economists estimate that between 1950 and 1993 the boycott cost the Israeli

economy no more than US \$45-\$49 billion.³⁷

The failure of the Arab boycott raises important questions. Are boycott attempts against Israel destined to fail? Will the WHO serve to defend Israel from sanctions?

Israeli military companies have developed a reputation of anti-terrorism "experts"

4. Israel's Vulnerability

The facts and figures shown above may lead one to believe that sanctions or a boycott against Israel cannot be effective. However, the situation is not as one-sided as it might appear at first glance.

A. A Comparison with the South Africa Boycott

The boycott of South Africa is considered to have had only minor effects, and is cited as a reason why a boycott of Israel might also prove ineffective. Nevertheless, some important differences exist between Israel today and South Africa in the 70s and 80s.³⁸

South Africa had the advantage of a wealth of natural resources, especially coal, which allowed it to find substitutes for lost imports. Israel's industry, on the other hand, focuses on processing raw materials rather than producing them. Polished diamonds, ferti-

lizers, industrial oils and weapons all require raw materials, many of which must be imported. Raw materials, energy resources and unpolished diamonds comprise the majority of Israel's imports. Raw-material imports were 71% in 2003, 72% in 2004 and 74% in 2005 (as of September).³⁹

The surplus produced by the Israeli economy for export, then, depends on imported raw materials. Slowing or hindering the flow of raw materials to Israel will therefore produce an immediate effect on Israel's strongest and wealthiest industries. Trade sanctions of any kind on Israel will have a simultaneous effect on imports and exports. A major source of profit to wealthy Israelis, as well as their access to imported luxuries, will be targeted at the same time.⁴⁰

The world economy itself has changed dramatically in recent years.

Israel depends on raw materials for its military industry and for exports



As mentioned earlier, globalization has had a profound impact on Israel, which is now one of the most globalized countries in the world, with a large share of its economy connected with world trade (see below).⁴¹

A crucial lesson of the South Africa boycott is the importance of non-governmental organizations and private businesses in imposing sanctions. Despite the fact that many countries supported the sanctions, the refusal of private people to buy South African goods so long as Apartheid lasted had an even more profound effect. Multinational banks and other companies withdrew their business from South Africa, fearing that dealing with that regime will damage their public relations. Although these companies didn't operate out of moral considerations, the moral decisions of private citizens allowed them to mobilize their financial clout and have a powerful impact.⁴²

B. Growing Reliance on Imports

One of the effects of globalization is a growing reliance on imports. Israel is a prime examples of this phenomena. Imports per Israeli citizen increased dramatically over the years. Per-capita imports have increased from US \$481

in 1970, to US \$5,038 in 2003, an rise of over 947%. This is a sign of Israel's prosperity, and is largely due to massive foreign aid. It is also a sign that Israelis (especially those of the upper classes) have become used to high standards of living.⁴³

Israel is deeply involved in international trade. Considering its minute size, Israel is indeed a highly globalized country. Its position as a powerful exporter is quickly improving. In terms of exports per-capita, Israel is the 8th biggest per-capita exporter in the world, exporting US \$5,437 per capita in 2004 (compared to US \$4,600 in 2003, when it was 9th in the world). However, it is also the 10th biggest per-capita importer in the world. It imported US \$6,400 per capita in 2004 (compared with US \$5,300 in 2003, when it was also 10th place in imports).⁴⁴

Furthermore, tourism is very important to the Israeli economy. On average, in 2005, a tourist netted Israel with an income of US \$1,000 in direct income, and another US \$1,000 in indirect income. Every half-a-million tourists increase the GDP by 1% and employment by 20,000 jobs. If people around the world will decide to limit their visits to Israel in protest of the policies of occu-



pation, tourism revenues will decline sharply.⁴⁵

In 2005, 1.92 million tourists entered Israel, and provided an income of about US \$4 billion to Israel. The income from tourism is expected to increase to US \$4.4 billion in 2006.⁴⁶

The Israeli elite and high society give Israel the reputation of a wealthy country. According to UN ranking, Israel is the 23rd country in the world in terms of quality of life. However, the socio-economic gaps in Israel are extreme. Only the top earners and capital owners in Israel (see Chapter 5.a) are actually able to enjoy imported goods to a large extent.⁴⁷

US aid to Israel is gradually decreasing

C. Diminishing Effects of Foreign Aid

Israel has enjoyed a steady flow of foreign aid ever since it was founded. It receives donations from Jewish com-

munities around the world, Holocaust reparations from Germany (which were often appropriated by the state rather than disbursed to the actual survivors) and direct aid from the United States.⁴⁸

This aid has certainly contributed a great deal to Israel's foreign currency surplus in the first place, but it is gradually less influential in keeping the Israeli economy afloat. For starters, foreign aid from the United States is gradually diminishing, and more and more of it is directed towards military rather than civilian

aid. US aid to Israel was an average of US \$3 billion every year since 1973, but the sums are gradually eroding.⁴⁹ The most recent figures are presented in TABLE 1.

There is also a possibility that the US will suspend some of the aid to Israel because of the need to deal with the damage of the hurricanes afflicting it.⁵¹

Table 1: US Aid to Israel (billions of US dollars):⁵⁰

Year	Civilian	Military	Total	% of Israel's GDP
2004	0.5	2.14	2.64	0.50%
2005	0.36	2.22	2.58	0.47%
2006	0.24	2.28	2.52	0.44%

The economic significance of this is that a large and growing part of the Israeli economy is supported not by foreign aid but by exports to the world. Consequently Israel can now be subjected to international economic pressure.

Costs of the Occupation

In order to colonize the OPT, Israel has pursued a policy of extensive subsidies to Israeli (Jewish) citizens who choose to live in the illegal settlements in the OPT. The settlements, colonies established on Palestinian land, are surrounded by the indigenous Palestinians. The settlers are therefore furnished with extensive security installations that are staffed by soldiers armed

The “security” costs of the occupation alone surpass the foreign aid that Israel receives from the US

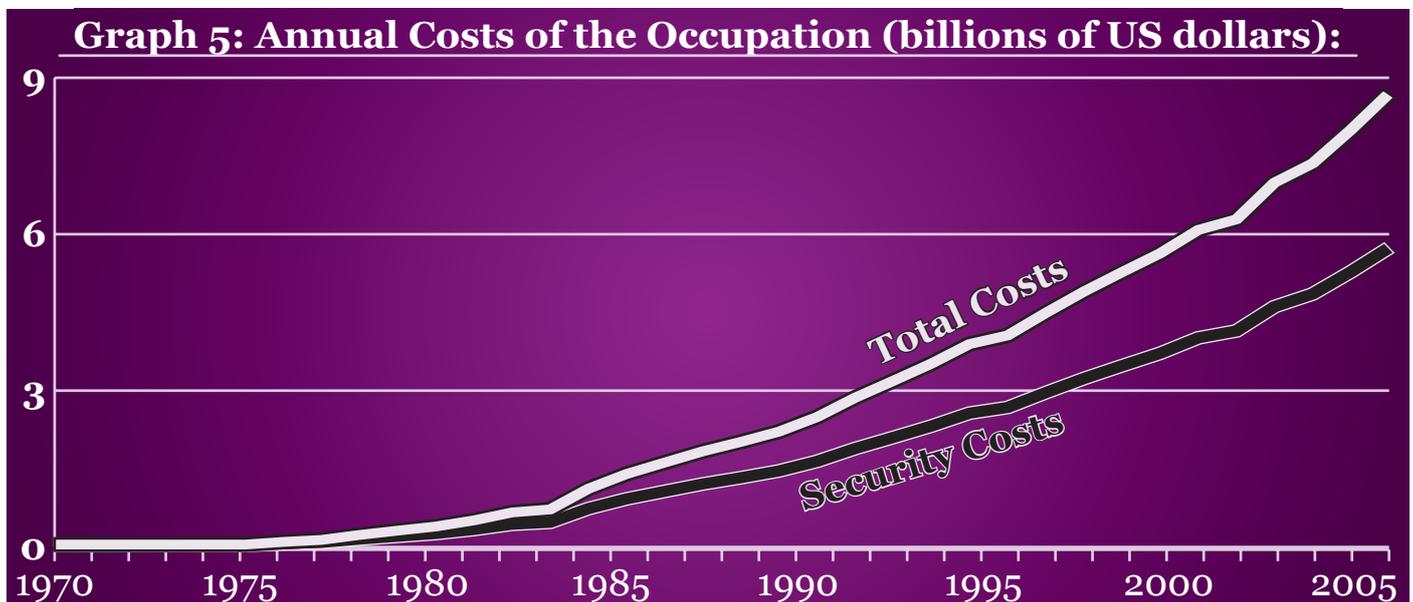
with a variety of weapons. The costs, paid by the Israeli government, amount to some of the government’s highest expenses.⁵²

GRAPH 5 demonstrates that the costs of the occupation rise every year by a steep curve. Since 1992 the annual cost of the occupation is higher than the foreign aid that Israel receives from the US. Since 1995, the “security” costs of the occupation alone surpass the foreign aid that Israel receives from the US.

D. Support from Within

In their research for the UN, Cortright and Lopez suggest that while sanctions empower resistance groups within the targeted nation, the effectiveness of sanctions greatly depends upon the support they receive from civil society organizations there.⁵³

The claim that sanctions require internal support has been used frequently



as an argument against sanctions. Israeli activists who oppose sanctions claim that the vast majority of Israelis (even many of those who define themselves as “leftists”) are vehemently resistant to sanctions, and therefore a sanction campaign cannot be effective. Indeed, both the international and the internal support for the crimes committed by Israel is very large.⁵⁴

Palestinians might pay a heavy price for supporting a boycott

However, it is crucial to remember that the Palestinians living under the Israeli occupation are part of the population of the “targeted country,” and effectively part of Israel’s economic system.

If we count the Palestinians living inside Israel along with those in the OPT, Palestinians already form the majority of the population under Israel’s control. The vast support that the call for sanctions generated among Palestinian civil society organizations demonstrates that there is indeed a very stable basis

of support for international sanctions coming from within the targeted area.⁵⁵

We should keep in mind that the Palestinians are also expected to pay a price for the boycott. A boycott on Israel will certainly have adverse effects on the Palestinian popula-

tion, at least in the short run. Some of these are:

- Israel might retaliate against the Palestinians. Israel is already confiscating foreign currency sent to the Palestinians,⁵⁶ and might increase confiscations if foreign currency grows scarce due to a boycott.
- The demand for Palestinian labor in Israel might suffer.
- Israel will likely import less from the Palestinians.
- Israel may cut down its exports of second-grade goods to the Palestinians if a



boycott comes into effect, thus leaving the Palestinians wanting.⁵⁷

Nonetheless, the price they may be forced to pay hasn't deterred the Palestinians from calling for the boycott.

E. The Arms Trade

There are also signs of growing international awareness of the human-rights violations committed by Israel.

Israel's insistence on selling weapons to the highest bidder without regard to the possible ramifications has led even its staunchest ally to doubt its arms-sales policies. The US has implemented a series of limitations on its arms-trade with Israel in response to Israeli arm sales to regimes that violate human rights.⁵⁸

One colorful example: the DSEi is an international trade show for military equipment in the UK, and one of the largest arms-trade shows in the world. In September 2005, 1202 companies exhibited their products in the show. The Israeli delegation was kicked out of the show after advertising items that are illegal in the UK, such as leg-cuffs and paralyzing electric weapons.⁵⁹

The time is ripe, then, for well-organized campaigns to pressure govern-

ments to stop selling arms to Israel, and to stop buying weapons from Israel.

F. Trade with Europe

The issue of European trade relations with Israel will be discussed more thoroughly in a future publication, but some important points should be noted here.

The European Union is Israel's biggest trading partner. Imports from EU countries accounted for over 28% of Israel's imports, and exports to EU countries accounted for 36% of Israel's exports.⁶⁰

Israel enjoys a preferential trade agreement with Europe, which makes it especially profitable to Israeli companies to export to Europe. However, these trade benefits are in violation of the European Commission's own laws, as Israel is selling goods and products

from the OPT and fails to mark these properly. In 1999, the MATTIN group for human rights launched a joint campaign with European NGOs to enforce European Commission laws and withdraw preferential status from Israeli goods in Europe. Approximately US \$2 billion of Israel's US \$7 billion exports to the EU come from the occupied territories. Therefore nearly a third of Israel's exports to the EU receive illegal preferential treatment.⁶¹

Some US \$2 billion of Israel's US \$7 billion exports to the EU come from the OPT but still receive preferential treatment

5. The Effects and Significance of Sanctions

A. The Domestic Economy and the Lower Classes

It is not the case that all Israeli citizens are violating international law or actively attacking the Palestinians. Sanctions should be considered carefully, so as to minimize the targeting of innocents. Sanctions against Israel will force it to rely more heavily on its domestic economy, at least until political advancements will justify alleviating the sanctions. Because the domestic economy is associated with the lower-classes of the Israeli society, international sanctions, divestment and boycotts will actually affect the higher-classes in Israel the most.

If we examine the expenses of the fifth of the population at the low end of the earnings scale, we find they spend 7% of their income on fruit and vegetables, compared with only 3% by the tenth of the population with the highest earnings. Meanwhile, 35% of the expenses of that bottom fifth are spent on housing, compared to only 25% by the top tenth.⁶²

The top 10% of earners spend 100 times more on trips abroad than the 40% of the population at the bottom of the earning scale

On the other hand, imports remain the realm of the highest earners. The top 10% of earners in Israel spend about 9% of all their expenses on trips abroad, over 102 times the ratio of expenses spent on trips abroad by the bottom forty percent of the population put together.⁶³

This goes to show that the economic elite in Israel is far more vulnerable to international sanctions, at the same time that it holds the power to improve the Palestinians' situation.⁶⁴ The only ways that Israel's wealthy could maintain their luxurious lifestyle under a boycott would be to disconnect from Israel or to influence Israeli policies and make the boycott irrelevant.

B. Complicity with the Occupation

Another important consideration regarding sanctions is the issue of moral complicity. Many people might view a boycott on Israeli goods (or even only on goods from the settlements) as an extreme measure. Others may consider a boycott an outside interference in what is essentially a local conflict between Israel and the Palestinians.

However, one should also take into consideration the consequences of buying Israeli goods. The profits made by Israeli companies contribute to the taxes collected by the Israeli government and to the purchase of arms. Companies who produce goods on stolen Palestinian land increase in their business volume with every purchase. These purchases thus contribute to the incentive to grab more land from the Palestinians and to increase the population in the settlements.

Supporting the Israeli economy is a political statement that should not be taken lightly. It involves taking at least a measure of responsibility for human-rights' violations committed by Israel.

C. The Psychological Impact

Although this publication focuses on the economic aspects of sanctions, one must not discount the significance of the psychological effects of sanctions, which may be even more important.

It is not realistic to expect widespread sanctions on Israel in the near future, yet even small and targeted campaigns can

have far-reaching results. The sanctions keep the occupation in the political discourse, and make Israelis feel uneasy abroad. Israeli soldiers, settlers, and officials should feel that their actions against the Palestinians label them as pariahs in the international community – that they must distance themselves from the crimes committed against human rights and international law if they are to be received in the world as civilized and respected people.

In addition, many Israelis prefer to claim ignorance of international-law violations committed by Israel. Sanctions serve as an educating force – educating both Israelis and the international community, and forcing Israelis to take responsibility for what their government is doing.

Buying from Israel implies a measure of responsibility for human-rights' violations



D. Different Forms of Sanctions

There are many different forms of sanctions. Some may choose to distance themselves from the Israeli economy entirely and refuse any business contacts with Israel, while others might opt for a targeted boycott aimed at a short-term goal.

Some sanctions, such as an academic boycott, have a symbolic function. Such sanctions have a powerful ability to produce fruitful debate. The importance of this debate is especially apparent now, as the last attempt at an academic boycott caused a flood of Israel supporters trying to stifle all discussion of the occupation.⁶⁵ The call for an academic boycott on Israeli universities specifically targets human-rights violations committed by these universities (violations which are too numerous to list here). This call protests the effective academic siege that Israel imposes on the Palestinian universities by preventing Palestinian scholars from visiting international conferences, or sending and receiving parcels.⁶⁶

Israeli scholars cannot ignore an academic boycott, and their social standing in Israeli society may enable them to alleviate the limitations on Palestinian scholars, and influence public opinion.

Other sanctions are more directly economic, such as a boycott of Israeli agricultural products. These sanctions are more likely to have a direct effect on the Israeli government, which is deeply influenced by the agricultural lobby. Such sanctions are likely to encounter massive opposition from Zionists.⁶⁷ However, the need for such sanctions remains. A boycott of Israeli products will lead to scarcity in foreign currency and to a slowing of military imports to Israel. The boycott would also force Israel to properly identify the goods originating from the OPT.

Campaigns to pressure governments to cease buying or selling arms to Israel can also have important effects. Although NGOs are becoming more important in the international arena, governments still control vast sums of money and have a strong incentive to enforce international law.⁶⁸ International reluctance to buy Israeli arms or to sell arms to Israel will encourage Israel to find non-violent ways of dealing with the Palestinians.

Israeli scholars cannot ignore an academic boycott, and can influence public opinion

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The Alternative Information Center (AIC)

The Alternative Information Center (AIC) is a joint Palestinian-Israeli organization which prioritizes political advocacy, critical analyses and information sharing about Palestinian and Israeli societies, as well as on the Israeli-Palestinian conflict. In doing so, the AIC promotes responsible cooperation between Palestinians and Israelis based on the values of social and political justice, equality, solidarity, community involvement and respect for the full inalienable national rights of all Palestinian people.

The AIC believes that true social cooperation and communication between Palestinians and Israelis is possible. We have embodied this ideal for the past twenty years through our joint and collective structure. However, we acknowledge that this can only come to pass in the region if the root cause of the conflict is targeted and challenged – that being the long Occupation and dispossession of the Palestinian people. Based on these convictions, the AIC will continue to work towards the establishment of genuine and responsible grassroots bridges between the two communities.

AIC activities and publications provide a critical discussion of the political realities that shape the current situation, with special attention given to radical democratic and feminist struggles, and critical perspectives on the colonial nature of Israel and the alarming authoritarian features of the Palestinian Authority.

Shir Hever

The Economy of the Occupation

The Economy of the Occupation, published monthly by the Alternative Information Center (AIC), offers a new approach to the economic situation in the Occupied Palestinian Territories (OPT) and Israel. This bulletin will provide accessible and singular analyses of the socioeconomic interests behind the Israeli occupation of Palestine.

At the present time, the majorities amongst the otherwise politicized Palestinian and Israeli populations possess a limited understanding of their own socioeconomic situation. Available publications are sporadic, insufficient, often biased and fail to consistently link society, politics and the economy in the OPT and Israel. This disempowering state of affairs makes it all the more critical to offer alternative readings of the economic reality of the occupation.

The publication touches on various issues such as inflation, debt, trade, employment, poverty and capital, and demonstrates the influence of these issues on the daily lives of Palestinians and Israelis. The aim is to enhance awareness and to contribute to a more informed struggle for social justice and a just peace for Palestinians and Israelis.

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