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DISSECTING BDS

Is the Boycott, Divestments and Sanctions movement truly a threat to Israel?



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A Palestinian promotes BDS at a demonstration last year near the settlement of Bat Ayin in the West Bank

The BDS campaign was launched on July 9, 2005, by 171 pro-Palestinian organizations. B stands for Boycott – don't buy Israeli products or do business with Israel, or even associate with Israeli academics. D stands for divestment – sell shares and bonds of Israeli companies. S is sanctions – have your government ban trade with and investment in the offending nation. Boycott is the name of a 19th century Irish land agent who dealt harshly with tenants. They stopped working for him, until he relented. And the name stuck.

The BDS campaign purposely evokes the memory of the anti-apartheid campaigns against white minority rule in South Africa. It is closely linked with Israel Apartheid Week, held in late February and early March, which began in Toronto and has spread to many other cities. Its goal is to indelibly brand Israel as an apartheid state and thus delegitimize the nation in general. If the apartheid label sticks, it can indeed do much harm to Israel.

There is a huge difference between the B, the D and the S; lumping them together is misleading. A boycott campaign that urges consumers not to buy goods and services from the offending nation or company has limited impact. Boycotts, when highly focused, well organized and based on a clear well-founded cause, can hurt individual companies or products, but not nations. According to Uriel Lynn, president of the Israeli Chambers of Commerce, "Israel has gone through much harsher boycotts in the past. For example, we did not have commercial relations with China for years, and for a time we could only buy crude oil from Mexico and Egypt. So we can definitely withstand boycotts."

The Associated Press reported in January that the export-driven income of farmers in the Jordan Valley's 21 settlements dropped by more than 14 percent, or \$29 million, in 2013. Settlers say it's largely because Western European supermarket chains, particularly those in Britain and Scandinavia, are

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increasingly shunning the area's peppers, dates, grapes and fresh herbs. The Jordan Valley farmers are hurt, but overall the loss for Israeli agricultural exports is small.

Divestment, a policy that urges investment funds, pension funds and individual investors to dump stock of companies from the offending nation or region, has limited impact. In the end, investors and those who manage their funds want to make money. They are reluctant to sell stocks that have good prospects to earn them profit. In the world of finance, money has no color or ideology. Ironically, Israel's current problem is not a lack of foreign investment, but a surplus of it; the influx of dollars has led to a strong shekel that is hurting exports. I wonder if the European pro-BDS groups are aware that paradoxically, the threat of a trade boycott, or even a real one, could devalue the shekel and actually make Israeli exports more attractive.

Sanctions are a different story. Sanctions are a deliberate, government-inspired withdrawal of trade and financial relations. They are restrictions placed by one country on trade and investment in another country. They can sometimes be powerful, though they can be evaded.

The hotbed of BDS activity is Europe, driven by the many Palestinians and Muslims who live there. The European Union is Israel's best export market. If the EU were to declare trade sanctions against Israel, the impact would be severe. But this is highly unlikely. The EU has offered both sides attractive "carrots" for being flexible



in the current negotiations, and has hinted in particular that the Palestinians would receive generous aid if a peace agreement were struck.

But imposing sanctions on only one side implies placing blame on that side for a breakdown in negotiations, and this is improbable. It would require a unanimous EU decision, and Germany for one is unlikely to support it.

Why is BDS constantly in the news?

The death of South African leader Nelson Mandela last December 5 has fueled the BDS movement. Many Palestinian sympathizers celebrate how the BDS campaign brought down apartheid and brought Mandela to power. They falsely equate Israeli occupation of Palestinians and their land with white minority control of blacks in South Africa and seek a similar dramatic result. But the analogy is simply false.

Has Israel's response to the BDS boycott movement been a wise one?

Sadly, no. Here is how Prime Minister



Prime Minister Benjamin Netanyahu: 'The founders of the BDS movement want to see the end of the Jewish State'

Benjamin Netanyahu responded, in his February 17 speech to the Conference of Major Jewish Organization Presidents: "The most disgraceful thing, the eerie thing, is to have people on the soil of Europe talking about the boycott of Jews. I think that's an outrage... In the past, those who boycotted Jewish businesses, today call for a boycott of the Jewish State, and only the Jewish State... The founders of the BDS movement want to see the end of the Jewish State. They are explicit about it. It is important that the boycotters be exposed for what they are – classical anti-Semites in modern garb."

This is Israel's official response to the apartheid ploy. Brand the BDS supporters as anti-Semites, rather than respond thoughtfully, rationally, like an Oxford debater, with factual refutation. It just doesn't work.

It is ironic that one of Israel's (and Netanyahu's) fiercest critics, New York Times columnist Roger Cohen, agrees with Netanyahu. In his column on BDS, he wrote, "I do not trust the BDS movement... Its aim

[right of return for all Palestinian refugees] equals the end of Israel as a Jewish State. This is the hidden agenda of BDS, its unacceptable subterfuge: beguile, disguise and suffocate. The movement's anti-Zionism can easily be a cover for anti-Semitism."

I propose a different approach. My granddaughter was recently interviewed by a selection panel choosing members of a Scouts group that will tour the US in the summer, and sing and dance for a wide variety of groups. She was asked how she would respond to questions about the separation fence. She said, simply, that she would present both sides, Israeli and Palestinian. She is wise beyond her years. The right response to the apartheid label is not to pin "anti-Semite" onto BDS proponents, but to state our case, coolly, including that of the other side: Israel is not racist. But it is far from perfect in its occupation. And here are the facts...

Do financial and trade sanctions work? What is the evidence?

In their book, "Economic Sanctions Re-

considered," Gary Hufbauer, Jeffrey Schott and Kimberly Elliott, scholars at the Washington-based think tank, Institute for International Economics, examine sanctions historically. Since World War I, in 116 cases of sanctions, 77 (two-thirds) were imposed by the United States. But with a few stark exceptions, the authors conclude that "the cost imposed by sanctions on the target countries represents barely a ripple in the world economy."

In other words, they usually don't work.

The reason sanctions worked against South Africa is that they were nearly universal, and were sweeping, long-lived and fiercely consistent. And it is possible that sanctions against Iran led to the interim agreement on uranium enrichment and Iran's recent charm campaign.

I don't believe Israel should or could be sanguine or complacent in the face of the BDS campaign. It can definitely harm a small number of specific companies that are vulnerable. In 2013 a Dutch water company, Vitens, cut ties with Israel's Mekorot Water Company on an East Jerusalem project. Norway's pension fund said it would divest shares of two Israeli companies, Africa Israel and Danya Cebus, because they were involved with East Jerusalem settlements. Danske Bank, Denmark's largest bank, blacklisted Israel's largest bank, Hapoalim, because it "funded Jewish settlements in the West Bank."

On February 1, US Secretary of State John Kerry warned Israel that the failure of the peace talks with the Palestinians would lead to global boycotts. And last August, he spoke about a "boycott campaign on steroids" if the talks fail, arousing a furious, and unwise, response from Netanyahu.

What is the government's position on sanctions?

Israel's government is deeply divided on whether sanctions can hurt Israel. On the one hand, Economy Minister Naftali Bennett (Bayit Yehudi) says they cannot; indeed, he says "a Palestinian state will de-

stroy the Israeli economy.”

On the other hand, Finance Minister Yair Lapid (Yesh Atid) has detailed the potentially enormous cost to Israel if peace talks fail and sanctions are imposed as a result. Lapid recently said in a speech to the Institute for National Security Studies, “If the negotiations with the Palestinians break down and a European boycott begins, even partially, Israel’s economy will go backwards, every person will be directly affected in their pockets, the cost of living will rise, the health, education, and welfare budgets, as well as the defense budget, will shrink, and many foreign markets will be closed to us.”

Lapid said that a European boycott “does not just mean that Camembert cheese will not arrive on time.”

For the first time, he disclosed figures from a special report by Finance Ministry chief economist Dr. Michael Sarel. Although the report was revealed at the Globes 2013 Israel Business Conference in December, the figures were kept confidential and Lapid had strongly refused to discuss them.

The report states that there is a likely scenario of a 20 percent drop in exports to the EU and a halt to foreign direct investment from the EU. Annual exports will fall by NIS 20 billion, GDP by NIS 11 billion (1.1 percent), and 9,800 jobs will be lost immediately. Furthermore, cancellation of the EU association agreement, which Lapid says is on the European Union’s agenda, alone, would cost NIS 3.5 billion in annual exports, NIS 1.5 billion in GDP, and 1,400 jobs. A third of Israel’s exports go to Europe.

Lapid said that the boycott had already begun. “There is nothing easier for the average European than to announce that he is boycotting goods from the settlements, or even from Israel, because, in reality, he encounters very few such goods, and there are reasonable and cheaper alternatives for almost all of them,” Lapid said. “It is not merely a moral declaration, which makes him feel good about himself, but also an easy campaign that can be managed from the couch at home.

“This is a real process, but we still have the chance of stopping it. The boycott will send prices higher and the cost of living soaring. The already high cost of living threatens Israeli society and the middle class. The boycott will raise prices for food, cars, public transport, communications, electricity, and, of course, it will cut the health, education, and welfare budgets, as well as the defense budget.

“We must not accept the boycott with folded arms, but launch our own public relations campaign,” Lapid stressed. “But we should not fool ourselves. The world is listening to us less and less. We must recognize that if the negotiations fail, the world will believe that we are responsible, and there will be a price to pay, and we should know what that price is.”

THE BDS MOVEMENT'S LOSE-LOSE APPROACH IS A TERRIBLE WAY TO GET TO WIN-WIN

Israel is a strong supporter of tough sanctions on Iran. Can we logically push for such sanctions against Iran, while denying their legitimacy if used against Israel, just because Israel is a good guy and Iran very bad?

The internal debate on BDS within the government further fogs the issue, by linking center-left pro-peace positions (“BDS hurts”) with rightist pro-settlement sentiment (“to hell with BDS”). The focus then becomes passion and politics, instead of business, trade, economics and reason.

Are we missing a key point in the rancorous BDS debate?

In the debate over BDS, where there is far more heat than light, far more emotion than reason, perhaps the most important point of all is being ignored. The opposite of BDS is a world in which Israelis and Palestinians make peace and work together to grow wealthy by collaborating to produce goods and services for export. In this world, everyone wins.

The opposite of BDS is PTB – peace through business. Win-win is a rational outcome. BDS, it seems to me, is lose-lose, for all sides. The European Union was born when wise French and German leaders decided the way to prevent another war was to do business together, and grow wealthy together. Israel and the Palestinians should learn from this example.

The BDS movement’s lose-lose approach is a terrible way to get to win-win.

Lapid said that the Finance Ministry data indicate a peace agreement will save the budget NIS 20 billion a year and could potentially boost exports of goods and services by NIS 16 billion a year. He added that these

numbers do not include indirect effects on economic activity, such as productivity and higher tax collection. Some 90 percent of West Bank trade goes through Israel. A peace deal would hugely benefit both parties.

The 22 Arab League states began a boycott of Israeli goods and companies even before the state was born. Strategic Foresight Group, a think tank based in India that studies global issues, estimates that Arab states lost an opportunity to export \$10 billion worth of goods to Israel between 2000 and 2010; in addition, the Arab states of the Persian Gulf and Iran together stand to lose \$30 billion as the opportunity cost of not exporting oil to Israel during the period 2005-2010. At the same time, the Israeli Chamber of Commerce estimates that because of the Arab boycott, Israeli exports are 10 percent less than they would be, and investment in Israel is likewise 10 percent lower.

Nations trade with their neighbors because they save on transport costs. Israel cannot really trade with its neighbors – even trade with Egypt and Jordan, with which it has peace treaties, is very small – and both Israel and the neighboring Arab states lose as a result.

Why in the world does it seem so utterly impossible to achieve a rational win-win solution, instead of a lose-lose one? To paraphrase a tired political science joke, in the Mideast, logic emigrated, reason retired and chaos sank roots.

How should Israel respond to BDS?

Here is one approach. Hey, BDS supporters! Drop that memory stick; an Israeli invented it. Get lost! WAZE too is Israeli. Close the pdf file; it contains a compression algorithm invented by Israelis. Shut down your computer; its Intel microprocessor was probably designed, and maybe made, in Israel, going back to Pentium and Centrino. Don’t touch those pills; Velcade, Copaxone, Rasagiline, all are based on Israeli science that saves, extends and enriches lives. Indeed, you might as well shut down the world, because there are hundreds of Israeli inventions that we use in daily life.

So, I have a modest suggestion. Let the leaders of BDS consider dropping the D, divestment. The resulting shorter name will then be accurate and appropriate. ■

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