

Chapter One

Introduction

Arab boycott of Israel is the longest boycott in the modern history, and this boycott raises key "legal" issues in the Arab-Israeli conflict, being one of the Arab weapons used to confront Israel. The boycott has gained importance with respect to the development of the Arab-Israeli conflict and the strategy of confrontation of Arabs to Zionism, especially after the war of October 1973 AD, and the subsequent use of the oil weapon which raised oil prices. The boycott is part of the Arab - Israeli conflict which affects the relations and interests of Western economies and politics. The issue of the boycott was raised in the United States, Canada and Western Europe, by anti-Zionism campaigns. In Order to determine the political and economic effect and then proceed trying to lessen its effects quality-wise and quantity-wise and to obtain legislation against them.

The Importance of boycott increased after 1973 and demonstrated the possibility of its use in the strategies against the development of the Zionist project and the penetration of Western interests and monopolies in the Arab region. So, the Arab boycott and the associated efforts and moves of United States of America and Israel to find a peaceful settlement to the Arab-Israeli conflict through negotiations has become a matter of putting an end to the boycott and took it as one of the terms of that settlement.

There are different perceptions of the Arab boycott of Israel, from the perspective of the Arab - Israeli conflict. It has been associated with this conflict and has grown with the development of its stages. Hence are the attempts to address the boycott and try to determine its impact and effect and then evaluating out from the aspects of that conflict and attempt to reach different results. So it is important to deal with political, economic and legal aspect for the Arab boycott of Israel, and tracks its path from the beginning as popular boycott until become official boycott by authorized bodies.

But before we embark on that, I see it as necessary to define boycott and its kinds and related political and economic aspects.

First:

Boycott is one of the weapons used in war in order to achieve political, economic, and military goals. The economic boycott is one of the most important weapons used in economic war. Soviet Encyclopedia defines boycott as (a state refusal to deal, or establish business relationships, financial or other relationships with another state or group of states, and the boycott can include all forms of economic relations between the countries, or it can be applied only to certain forms, depending on the nature of the kind of government in question and its targets.)

There is another definition that says (boycott is planned action of withdrawal from economic and social relations with a group or individuals who are guilty, and inciting others to do so.) The boycott, theoretically is the refusal to deal politically or commercially with some state in order to put pressure or to create economic troubles to that side.

Boycott has been used broadly as a weapon of social economic with a nature deterrent by different groups, including national and ethnic groups, labour unions, groups of employers and employees in work - this form is known as the (Black list).

When no cooperation is a work scheme in terms of withdrawal from industrial or political activities, it is called "a strike ". Boycotts and strikes are the same in that they are weapons of pressure for social, economic and political reasons and some properties of boycott are incitement, pressure and rejection in social, economic and political relations.

Among the most important properties of boycott is that it is effective in economic and political conflict with a peaceful nature away from violence as opposed to the use of strike.

The peaceful nature is always classified under ethical backgrounds, and it usually taking away the social aspect from boycott using of economic power in the form of rejection of guilty individuals and their families.

For examples of the social boycott of individuals who refuse to participate in trade unions or participate in a strike in labor issues, also boycott of enemy nationals which resident during the war.

There is the political side of boycott. In most cases, enforcing of boycott is political acts aimed at the practices of policies of the aggressor state, using economic weapons as a lobbyist)¹

The importance of political boycott obtain from using in ethnic groups and national oppressed groups which violated their social and political rights and freedoms in the form of a protest against the group holding the reins of power. So, the use of boycott in politics often happen when the (legislative measures to make a tough, influential protest by democratic means is difficult for the ethnic national oppressed groups. In this way, boycott could take the international dimension, such as China boycott of American goods in early 1905 protesting of dealing of their nationals in the United States.

In 1909 the Spanish goods has been boycott in France of protesting against the execution of (Francisco Verur who organized the general strike in Barcelona). Also boycott can be used in the form of solidarity with labour issues and political rights such as the International boycott of of Labour Union in Amsterdam.

"The International Trade Union Federation" used boycott of Hungarian cargo in 1920 that protested against the measures taken by the Hungarian government towards Hungary workers. All organizations of workers in the European continent joined this boycott, and has grown to an international scale and particularly affected the transport workers.

One of its important result of debunking the aggression of the Hungarian government towards workers.

¹ 1- Narcus Arkin, Ibid,P,308.

Secondly:

Success of boycott depends on many factors, the most important of which are the strength of its appeal and its call for the parties that are expected to share in the boycott, this depends on the nature of the position, which originated from the boycott. For this, we find that the boycott during the occurrence of national and ethnic conflicts receives quick acceptance. There are factors that determine the viability of a boycott. It depends on the activity, strength and intelligence of the group, and on the nature of the goods which refrain from dealing with or the nature services of the boycott, and the nature and size of the market, the elasticity of demand, the rate of use or purchase of the commodity and speed of characterizes and known its origin and source of other commodities.

"The popular boycott is a nonofficial boycott which is not imposed by certain government, and in law is not compulsory, but it is not necessary option." Example of boycott which imposing by labor unions of their members by pressure on them to sever or to ban a specific plant, or ensuring and insuring of the political rights of workers and reducing the price, or to improve the quality of goods, commodities and services.

So, there is informal external boycott carried out by labour unions, such as that carried out by the consumer of goods in the countries of British Commonwealth and also all the Scandinavian countries. The federation of Danish workers enforced boycott against South Africa goods that began in the first of April 1960 and lasted for two months. (There is a similar boycott organized by the Federation of Norwegian workers, and the International Confederation for free labour unions called all labour unions around the world to make a boycott against goods from South Africa.)

Popular or local boycott can take the form of struggle for national liberation. Therefore, through the participation of the national masses in the application of the boycott against goods of colonial states, such as the popular boycott which was applied by the Indian people several times to protest against the measures that were taken by Great Britain in India, so as to strengthen the struggle for national liberation and self-determination.

This boycott began in 1905 in protest against the division of Bengal into two which has been done by the ruler (Viceroy Curzon) , and boycott of foreign goods began with a request to buy Indian goods, according to the resolution of Indian National Congress.

Due to that, the Indian people refused to buy British goods. Also They refused to enroll in British colleges and schools. This boycott caused considerable damage for business of merchants who trade in British goods, and stimulated dealing in goods that are produced in India. It amounted to a size that has been considered as “revolutionary political action” Participating is general of social system, the boycott gained more popularity because it was based on the philosophy of Mahatma Gandhi's "Peaceful Resistance". Even the British colonist were forced to extinguish it by military force. There was a popular boycott conducted by the American rebels against the British government to boycott English goods. It ended with an invitation for the meeting of delegates of states for holding the First Continental Congress in September 1774 which decided to prevent imports and exports from Britain and encourage local agriculture and industry which affected the trade of Great Britain in the United States of America and paved the way for independence of the America.

The boycott of labour unions originated and evolved after the industrial revolution because of pressure acts (whether in the form of collective stop of work or in the form of a mass boycott) and it took greater importance , when the labour unions struggled in the nineteenth century to replace the individual bargaining between users and workers.

If we ignore the unaccurate incitement of violence by most extreme socialist theories in that period, we find that the term includes both strike and boycott as well as more subtle tools (such as slow work for small wage).

Third:-

External boycott is a boycott which is between parties from different communities, and official boycott offering by the government as a legal, compulsory and mandatory but are not necessarily comprehensive that it could be constrain for the sale, purchase or trading - trade of goods or limited services.

There are international boycotts which emerged after World War II, having deepened political differences and ideology between the two camps, the socialist and the capitalist, in the world. There are many boycotts originated when United States, Canada and many countries proceeded in western Europe to organize a boycott against the socialist countries to ban the export of goods that they produce to the Soviet Union. Although urging socialist countries to establish a system of discriminatory and restriction on the import of goods from the socialist countries, and stretched to include discriminatory measures with trade, navigation, and for international financial relations, and balances.

The restrictive measures have been strengthened on trade against the socialist countries special after the signing of the Convention on the North Atlantic Treaty. And United States issued in 1951 the " Battle Act", which includes a system of tightly restrict trade on the socialist countries, and the government of U.S. published a list of goods (217) classes that forbidding and prohibit to export to socialist countries. Under pressure from the United States some similar lists were submitted by the number of countries in Western Europe, Canada and Japan. Also, they made additional special lists of goods with regard to China, the Democratic Republic of Korea and Democratic Republic of Vietnam which had been applied completely denied all kinds of trade. (1)

Also political boycott was used in international relations as an economic pressure so as to achieve specific political objectives, especially when used by capitalist countries as pressure on developing countries. There are examples of this type of boycott such as England attempt to impose boycott on the purchase of oil from Iran from 1951 to 1953 when the Iranian government nationalized the English-Iranian Oil Company. An important international boycott is one that has been done to Racial regime in South Africa.

The governments of England and France tried to organize a boycott against Egypt after it had nationalized the Suez Canal. We could see the boycott which has been done to Racial regime in South Africa is one of the important international boycott, and that by certain countries or by international organizations such as Organization of African Unity and the United Nations.

"All African People's Conference" has organized the first international boycott against South Africa by boycott of goods held in Accra in December 1958. And then Afro-Asian Solidarity Conference held in Cairo called to support the boycott,(1) With regard to the international boycott of import from South Africa, Jamaica was the first country intersected import from South Africa followed by Malay and Ghana in July 1959 AD.

The United Nations organized a boycott against South Africa. The decision of the General Assembly of the United Nations in 6 November 1962 AD has asked the members the following:

- 1) Severing of diplomatic relations, or refraining from establishing such relationships.
- 2) Close their ports against all ships flying the flag of South Africa.
- 3) Enact laws that prohibit their ships to enter the ports of South Africa.
- 4) Intersect all goods of South Africa and refrain from exporting goods to South Africa and also included in this the prevention of arms and ammunition.
- 5) Refusing of landing and facilities of traffic for any aircraft which belonging to the government of South Africa and companies registered under the laws of South Africa.

The Council of Trustees of the United Nations in 1962 recommended that all members had to impose a blockade on supplies of oil "Bill Embargo" imported by South Africa. Then the Security Council recommended of armed siege against South Africa in 1963. And before that there was a petroleum ban by the conference of Independent African countries held in 1960 in Addis Ababa which asked for enforcing economic sanctions against South Africa, and after that came the enforcing of petroleum ban "Arab Oil Embargo" in 1973.

All those boycotts did not success because several states, such as Britain, ignored the resolutions of the United Nations and continued supplying South Africa with adequate quantities of oil. And probability of the most important reason that the major oil companies "Oil Majors" helped to confirm the lack of impact and effectiveness of the ban.

Also Major companies of oil in South Africa have provided directly advice to the government after imposition of the ban on the better way of putting provision and exploiting of supplies.

The director of the "British company" said about the conduct of major companies (that the oil companies and the company of "British Petroleum" have embarked particularly on purpose to foil attempt by Arabs to impose the ban on petroleum on countries such as South Africa.(1)

Iran has refused to participate in the petroleum embargo on South Africa in 1973. It now provides 90% of the needs of South Africa. Then the major oil companies continued to buy oil from certain countries which had announced its intention to participate in the ban. After that it re-sold certain quantities of this oil to South Africa(2). The United Nations through the Security Council should have a "Mandatory Oil Embargo" on Oil to South Africa by arresting any ship supplying oil to South Africa when it stopped in any other port, thus hampering the transport of oil to South Africa.

Another example in this sense is boycott of Rhodesia when it was exploiting from one side in November 1965, and herein Britain imposed economic sanctions on Rhodesia, and then the Security Council recommended economic sanctions against Rhodesia in November 1965, and the Security Council in April 1966 decided to lock the port of Beira in Mozambique. Then in December 1966, sanctions against Rhodesia became mandatory. In the spring of 1968, the Security Council issued a decision forbidding all member states to deal with Rhodesia(3). Resolution No (232) included the decision to impose an economic blockade against Rhodesia including export, import, land and air transport.

1-U.N.Center Against Apartheid,Department of Politic and security council Affairs,notes and documents,12/Nartain Baily and Bernard Rivers,OP.cit.,P.74,

2-Ibid,p.B6.

3-Wallenstean,Peter,Astudy of Economic Sanction Institute of Political Science,Upsal University Oct.,1978,P.26

The non-application of this decision constituted a breach of Article 25 of the Charter, which states: (members of the United Nations undertaked to accept the decisions of Security Council and implement them in accordance with this Charter), with ungiving any financial and economic assistance to the racial system in Rhodesia. Also Rhodesia has been severed from regional organizations, Ministerial Council of the Organization of African Unity in December 1965 in Addis Ababa issued the decision to impose a full embargo against Southern Rhodesia included the following:

- a) To stop off all economic relations, including payment transactions, with southern Rhodesia, and deprive these country from facilities given to those who are in the area of Sterling for Commonwealth Commerce. Also it was decided to freeze all accounts of southern Rhodesia in African banks, and denying of facilities and air navigation services, and cut off all means of communication with it and all the member states of the Organization of Africa Unity cut off diplomatic relations with the United Kingdom after a year "that means" in December 1965, unless it made effort to end minority rule in Rhodesia.

One of the international boycotts was the one against Cuba. " The President of the United States on 3\2\1962 took the decision Number 3447 which imposed a full economic boycott on Cuba due to its bias to the communist system." (1)This boycott was an expression of the intensification of the cold war between the United States and the Soviet Union continued the boycott of Socialist Regime in the fifties and sixties of last century. The decision of the president of the United States stipulated that Cuba violated the system of Organization of American Countries Treaty for mutual assistance to join the Communist camp, which contradicted the objectives and principles of the system of American Countries Treaty.

1 Joseph Moghaizel "the Arab boycott and international law," the Palestine Liberation Organization, Research Center , philosophy of Palestine Studies, Beirut Center 28, 1968, p 350.

According to the decision of the President of the United States, the following measures were taken:

- 1) Severance of existing trade between the United States and Cuba.
- 2) Prohibition of importation of goods whose sources are in Cuba to the United States or any other goods imported by Cuba, as well as the prohibition of all exports from the United States to Cuba. There were 100 countries which joined boycotts, including the United States, Arab countries, Israel, South Africa, Portugal, China and Southern Rhodesia.(1)

Although boycott, is modern term, the phenomenon of boycott was an ancient practice in the history of humanity; for example, in the Greek and Roman eras when several boycotts appeared and stopped of working. There were boycotts which were done by workers at royal booking of Egyptian unemployment due to bad situation of workers in unemployment period. Also the managers of royal factories and contractors had committed all kinds of abuses of treatment in the right of workers.

1- Narcus Arkin, Ibid, P, 308.

Boycott and international law:

Fourth:

It is well known from the point of view of the international law that boycott appeared first time in the Law of the League of Nations in article (16) which reads: "If any member of the league to resort to war, by passing the charter under articles (12), (13) and (15) is of course the perpetrator of war action against other members of the league who should immediately ,cut off relations of financial, commercial and personal communications between its citizens and the citizens of the Member State which exceeded the Charter, and banning of all financial communications, commercial and personal between the citizens of the Member State which exceeded the Charter and between the citizens of any other country, whether a member of the league or not.)

Boycott here is a form of sanction against waging aggressive war and in the Charter of the United Nations, boycott is used as a coercive, peacekeeping action without the use of armed force, and that is in Article (41):

The Security Council may decide what measures shall be taken, which do not require the use of armed forces to implement its decisions, and has to ask the members of the "United Nations," the application of these measures, which may include stopping of economic relations , rail, sea, air, postal, telegraphic, radio and other means of transportation partially or completely break off diplomatic relation.

The League of Nations and United Nations had implemented what came from the two articles of the boycott of specific countries as "Sanction" or snubbing measure "Reprisals" to put pressure on countries that infringe on the other. Also regional organizations has implemented it such as the Organization of Africa Unity. The Organization of United Nation set up a "sanctions committee" of the Security Council in order to organise and follow the implementation of sanctions to Southern Rhodesia.

The United Nations called for boycott of racial regime in Rhodesia several times, and that in the second paragraph of the Security Council resolution No. (217) for the year 1965, to stop the supply of the racial regime in Southern Rhodesia with weapons and military hardware and equipment and cut off all economic relations with it and enforcing of ban of petroleum and ban of Petroleum products.

It also called, in the tenth paragraph of the same resolution, the Organization of African Unity with all its forces to help implement this boycott. Also the Organization imposed another boycott against the racial regime in Southern Rhodesia to ensure the ban of imports from Rhodesia or goods that have their source in Rhodesia in the following: -

Alaspr, iron ore, chrome, molten iron, sugar, tobacco, copper, meat and meat products and leather.

In addition to preventing any activities to nationals of member states, which could help in the export of those goods or any deal by nationals. Moreover, there was no transfer of any funds to Southern Rhodesia for these activities, no shipping of those goods, or export of oil or its products to it. Also member states were asked not to provide any financial or economic to illegal system in Rhodesia.(1)

Also, the Organization of African Unity got into the boycott against South Africa(2). In addition, the Arab Summit held in Algeria in the 26 to 28 November 1973 called for comprehensive ban on petroleum against South Africa, Rhodesia and Portugal.

UN resolution (253), (1968):

1- United Nations, the Security Council, resolution No (232) in December 1966, also includes a resolution of Security Council No. (253) dated May 29, 1968 includes paragraphs for boycott of Southern Rhodesia.

2- Presidential Summit, the Council of Ministers of the Organization held in 19 to 22 November 1973 in Addis Ababa.

In 1973, Arab and African countries of Arab and African which produced oil have organized ban against South Africa with the "Opec" organization. The Arab League took the first decision to boycott Israel in 1945 which urged the member states of the League not to import products and goods manufactured in Israel, and invited the Arab nations who were not members or were not represented in the League to join in the solidarity in the implementation of this resolution to prevent dealing in the distribution and consumption of goods and Israeli products.(1)

Also some states individually resorted to boycott such as China which used it eleven times in the form of movements of major boycott against countries, the first being against the United States, the second against Great Britain and the other against Japan when the Japanese killed a Chinese and plundered their money in Korea.

Then Japanese troops advanced to occupy Manchuria, and fighting reached the areas around Shanghai when Chinese decided not to buy Japanese goods even if Japan accepted the demands of China. And the League of Nations recognized the legitimacy of this socialist boycott.(2)

We conclude that boycott has two faces: one is negative and the other is positive. The negative side is in stopping economic relations with certain countries, preventing the enemy from dealing economically with boycott country, and the boycott of all kinds of the blockade around the enemy and not to deal with him in an indirect way. On the other hand, the positive face is directly to sever the economic relations and obstruct the flow of foreign capital to support the growth of economic, and rival in export markets.

We also conclude that the economic and political boycott is the right for countries, peoples and regional organizations in order to practice and apply as penalty or disciplinary action for the maintenance of the violated rights.

1- League of Arab States, the University Council, the second session, hearing (December 2, 1954) was mentioned in the Arab boycott of Israel: objectives and stages, a study by the General Commissioner of the boycott of Israel in February 1971 AD-Damascus- main office p.(D-6)

2 -Moghaizel, the same source, p. (24)

This is true particularly in the context of the Arab boycott of Israel, because Israel committed several violations of International Law and acts of aggression against the people of Palestine and the Arab states which can be summarized as follows:

- 1) Aggressiveness of Jewish immigration to Palestine, which began during the nineteenth century under the protection of Britain helped by the presence of the British consulate in Jerusalem. The pressure exerted by the British government to Constantinople in favour of Euro-Jewish settlement (1), British Consul "Jess Ven" gave a number of projects for Housing of Jews in Palestine under British protection. Organized immigration to Palestine began in 1897 following Pal conference, which approved the establishment of a Jewish homeland in Palestine in 1918 that number of population of Jewish in Palestine (56,000 people) and by the end of 1931 amounted to 174.006 people, and in March 1941 the population in Palestine reached 1,908,775 people, of whom 589,341 were Jews(2). All this migration occurred in spite of the protest of Arab population represented in many forms as protest of leaders of Jerusalem. The armed popular revolution in 1936 was the peak of rejection to the settlement and the Zionist project.
- 2) Invalidity of Balfour Declaration which colonization has given by it initial legitimacy to Jewish without consulting any of the Arabs population of Palestine and it means from one side. Failure of Britain to do its commitment in the Sykes-Pico Treaty of 1916, brought Palestine under the international system. The Balfour Declaration has allowed Britain an opportunity to get rid of fulfilling to Emir of Mecca, Sharif Hussein, of establishing an Arab state, and the implementation of the treaty concluded with France on the establishment of an international system in Palestine(3)

1-Jabbor, Gorge, "Settle Colonialism in Southern Africa and the Middle East, Palestine Book, No.30. P.L.O. Research Centre, Beirut, 1970. P.33.

2-Abu-Lughod, Janet I., "the Demographic Transfortion of Palestine, in Ibrahim Abu Lughod, ed., "The Transformation of Palestine, Esssys on the Origin and the Development of Arab-Israel Conflict" Northwstern Univ. Press, Evenston, 1971, p,1

3-D.r. Volkov and others, "the contemporary history of the Arab countries," the first part of Moscow, Progress Publishers, 1975, p. (203-204)

And this promise could not be regarded as an international treaty, because it was between the state and individuals do not have an international entity, and they have no authority of legal existence in Palestine(1).

3)Invalidity of decision, Britain has bucked the first instrument mandate to hand over the state to minority Jewish in 14\5\1948. On the other hand, there was no legal basis for the decision to partition Palestine which was adopted by the General Assembly of the United Nations in 19\11\1947. It did not fall within the purview of the General Assembly because it had no right to recommend or impose a form of deposed government of any country, or restrict or interfere with the coming of the population, in any way. And any recommendation issued by the General Assembly in this sense, it does not have any legal value or realistic, unless approved by the indigenous population of the concerned country(2).

That the control of colonial powers on the area of United Nations at the time, had a strong reason in the issuance of those decisions against the Palestinian people. It is noted that the demise of this dominance, the United Nation Organization issued resolutions to recognize the right of the Palestinian people to achieve their own destiny such as Resolution 2535, Section B (24) on December 10, 1969, which acknowledges that the case for Arab refugees originated from the denial of their rights guaranteed by the UN Charter, and the Declaration of Human Rights on 14/6 / 1967.

The Security Council called in resolution 247 to ensure the safety and security of the people in the occupied territories, also the decision recommended the concerned governments to give a great consideration of humanity principles governing by the treatment of prisoners of war and protection of civilians in times of war.

1- Moghaizel, the same source, p .38.

2-Attabtaoy, the same source, p.20 Resolution 2851(XXVI)

The United Nations in 12.19.1968 set up a special committee to investigate the practice of Israel against human rights in occupied territories, and they prevented the committee from entering it . In October, 1971, the committee condemned Israel for its violations of basic human rights.

The General Assembly of United Nations on 20/12/1971 called Israel to cancel all the measures and to desist from policies and practice relating to:

- 1) Annexation of any part of the occupied Arab territories.
- 2) Establishment of Israeli settlements on those lands, and conversion some of the civilians (Israeli) to the occupied territories.
- 3) Destruction and removal of villages, neighborhoods and homes, and confiscation of property.
- 4) Evacuation , transfer and dimensions the expulsion of the population from the Arab occupied territories.
- 5) Denial of the right of refugees and deportees to return to their homes.
- 6) Ill-treatment of detainees prisoners.
- 7) Collective punishment.

For all those violations and breaches of international decisions, which did not find a punishment or deterrence, the Arab states have resorted to force to protect the right of the Palestinian people to self-determination and practice of legal sovereignty, also boycott used as a measure of penalty and disciplinary against Israel.

Chapter Five

The impact of the boycott on the Israeli economy

Israeli economy consists of three sectors : (a) the private sector, (b) the government sector, and (c) the labour sector, (Histadrut), and the latter both of them represent the public sector which funding of the private sector and the labour sector. Sources of funding of economic of Israeli comes from grants , donations and foreign aid and loans.

The Israeli economy is dependent on Western aid, especially the United States. The United States grants facilities and guarantees to Israel for the export of capitals of America to them. Amounted of donations and investments in the first five years (1948-1953) one billion dollars. Whereas loans of America which Israel received since 1940 was (206.3 Dolar). (see table below) (the table shows American loans to Israel).

However, the dependence of economic of Israel on foreign funding has resulted in economic structure that led to a large deficit in the balance of payments about 1.5 billion dollars annually. Israel imported goods and services equal to 3 billion dollars in 1972, and it exported only 1.5 billion dollars and its foreign debt "thousand dollars" per citizen. Israel needs every year up to about 10% of their Gross National Product in order to meet only the debt⁽¹⁾ (see Table 9) Agreement of German compensations (1952-1965) which has revived of Israeli economy, and the total sum of what Israeli has obtained till 01/01/1963 is (19.2 billion German Mark) detail as follows:

- 14.5 billion German Mark for expense of individual compensation.
- 2.9 billion German Mark to the Council of claims of Jewish, it means reparations of German to Israel.
- 1.8 billion German Mark according to the law of restitution of respective to their owners.

1 - As'ad Abdul Rahman: U.S. aid and the German Bank to Israel

M. T.. F., Research Center, 1966 S. Beirut (22-31)

Aid of United States to Israel (millions of dollars)

Table (7)

Fiscal Year	Value
1948	--
1949	--
1950	135
1951	--
1952	63.5
1953	73.7
1954	54.0
1955	54.6
1956	37.5
1957	89.2
1958	52.4
1959	614.300.000

Source: Asad Abd Rahman, the West aid of American and German to Israe, Beirut, 1966, p 29.

- There are still other amounts will be paid to Israel, according to the agreements with Germany: -
 - 13.6 billion Mark for individual compensations.
 - 0.6 billion for agreement of compensation for Israel.
 - 1.9 billion Mark, according to the law of restitution of their respective owners.

16.10 billion Mark was the total

The proceeds of sale of piastre bonds of Israeli has totaled in March 1962 to the amount of 427 million dollars and all the money constituted support for Israel and its economy in that critical period after its establishment and need for investments to absorb Jewish immigration and the increased of military requirements.

Therefore donations heaped on the Israeli economy. In the period between 1955-1965, they amounted to 3,245 million dollars at an annual rate of 295 million dollars. The flow of medium-and long-term loans amounted to 1540 million dollars.(4) Moreover, the boycott was unable to exert significant influence on the flow of foreign capital to Israel, because Israel has linked itself with European economy and the U.S. and dispensed with the Arab oil, Arab raw materials and Arab markets. Therefore Israel resorted to a new economic strategy to invest foreign capital in development of industry and foreign trade, and developed of Israel as centre of international commercial services, services of tourism and transit, and established new industries such as industry of food canning, diamonds, electronic industry, chemical and petrochemical. Israel replacing the boycott in the field of maritime transport by creating a naval fleet of a magnitude of 106 steamship in 1970, and industry's contribution in 1966 amounted to 22.1% of GNP, whereas the contribution of industry sector rose in commodity exports from 52% in 1950 to 79.1 in 1966 and the value of industrial exports rose from 18.1 million Dollars in 1950 to 446.5 million dollars in 1967.

1- Sheila Ryan, former S75-76 source.

2- Mahmoud Mohammed, the Arab boycott of Israel, Objectives and stages, unpublished study, Damascus, 1971, p 23.

3-Sana Yusuf Abdullah, the Israeli economy, M.t.q, research center, the second edition, Beirut, 1966, p 26

4-Murad Ahmed, the former source, p .15-16.

"Eilat harbor " started working and owned 66 vessels in 1977. Between 1967-1970 the export volume rose from 145% to 200%, while exports rose from 109% in 1967 to 181% in 1969. The development of industry was reflected on Israeli commercial exchanges, something which was not affected by the Arab boycott. However, the positive side of the boycott which was in the field of foreign economic relations of Israel and its trade and preventing Israel from exporting surplus production, as result of facing competition in other markets because of the high costs.

Breaking out of the economic isolation, Israel has followed many different methods for the conduct of trade exchange between them and the foreign countries, namely: - (1)

- 1) Access to hard currency from the American governments and subsidies of Jewish organizations and the World Zionists.
- 2) Large scale of advertisement which has done by the Jews of the world for Zionism products.
- 3) Huge subsidies provided by Israel for producers of Israeli goods so that they can enter the competition for the other country's goods and even producers can sold it at less than cost price.
- 4) Exemption of imported raw materials for Israel from customs and duties to be used for industrial purposes as well as the exemption of exports from these fees.
- 5) Encourage of investment of foreign capitals, especially American capitals in Israel, in which giving of facilitating and exemptions, and allowance of their profits out of Israel.

Independence of economic in Israel only achieve by increasing of exports, and problem of exports related to type and markets which exports to it . The impact of the Arab boycott was clear in the competition of Arab exports to Israeli exports in European markets especial citrus which formed in 1950 (50% of Israeli export) and now pose only 15% of it.

1-Formed Source, p.15-18. 2-Head Office for of boycott of Israel, Damascus, The second half-year report for the year 1953, p. 0.

Also other exports of Israel of mines product like phosphate and potassium hindered of compete of other countries, and high cost of transportation in the market cause that the profit of its sale is marginal or sometimes negative.(1)

Importance of the industry has increased relatively in Israeli commercial exports about 52% in 1950 to 79% in 1966., And 40% of total exports of goods and services during the year 1950 to 46% in 1966,(2) lacking of raw materials in Israeli industry due to Arab boycott rely continuously on imported it from distant foreign markets, that resulting on the high cost of manufacture, and the high import content of industrial exports..

In addition factories of Israel characterized in small size and split of production, also industry indigence to specialization which reflect in the production,distribution and high of its costm and limiting of ability of Israel industries to compete in foreign market. And export of Israel depend on two products citrus and diamonds.

1- Ryan Sylla, ibid, p 76.

2- Bseiso, ibid, p.21.

In 1966, diamond industry has accounted for 44% of total Israeli exports. This industry requires import of diamonds raw from areas as far away as South Africa. The industry of diamond is subject to the desire of unstable of world demand. This is dangerous in an industry with low profits for the unit, and little value added.(1) There is increased competition to it from India and Japan. The exports of Israel from diamond and citrus percentage of (55-62%) of the total exports. Israel gave attention to the development of other industries such as textile, tires, phosphate, potash, cement, paper, and petroleum and chemical industries. Diamonds are exported to the United States, the countries of the European Common Market, Japan and Hong Kong. In 1968, agricultural products including citrus formed 17.6% of Israel's total exports while percentage of Industrial product 67.5%, diamond and jewelry 35% of exports of industrial products, percentage of nature resources and other products 15.3% of Israel exports(2).

Therefore, competition in the international market was very high and that the decisive factor in its growth in the past that Israel followed method of agreements of bilateral trades and high rates of exchange .

And agreement of divided of preventive market around the local market, and by the time abated this protection.(3) Israel always work to increase and diversify its exports, especially those goods for which there are similar Arab product like textiles, clothing and agricultural and food products.

Israel in growth of export Dependent on paying of impetus for export, and reducing of price of Israel currency, otherwise cuts in taxes or development budgets, and Israel has paid for subsidy export in 1968 about 68 million dollars.

1- Ryan Sylla, *ibid*, p 76.

2- Aruddocy *ibid*, p.167.

3 - Ryan Chila: *Ibid*, p 76.

A table showing the development of the diamond and citrus within Israel exports 1950-1967

Agricultural exports				Industrial exports	
	Net of total exports	Total of agricultural exports	Citrus	Total of industrial exports	Diamond "net"
Agricultural exports "millions of dollars" 1950-1967	35.0 515.0	17.0 106.0	16.8 83.7	18.1 413.9	8.8 157.1
The annual percentage change in the average 1950-1967	17.2	11.4	9.9	20.2	18.5

Source: Bassio: Ibid, p 45

The qualitative distribution of Israeli exports (thousands of dollars)

Table (10)

1967			1968	
Products	% Value		%	Value
1-Agricultural products	107894	19.4	113161	17.6
Citrus	85304	15.4	88116	13.6
Eggs	05104	0.9	2945	0.6
Other Products	17487	3.1	21987	3.4
2-Industrial products	388682	70.2	429711	67.1
Diamond and Jewelry	193040	34.8	229253	35.9
Chemical products	35379	6.4	42864	6.97
Textiles and garments	51898	9.3	62698	9.8
Agricultural products	36914	6.6	43495	6.8
Rubber products	9409	3.0	10624	1.6
Machinery and equipment	35602	6.4	26470	4.1
Other Products	26440	4.7	14307	2.2
3-Natural resources and other products	57183	10.4	96818	15.3
Natural resources	28766	5.2	32417	5.3
Other Products	28417	5.2	64401	10.0
1+2+3Total	553759	100	639690	100

Source: Statistics group to Israel in 1968, and received in Arodkyz.

Source: Foreign Economic Relations of Israel, p 167.

Imports of Israel:

Israel relies on foreign aid to finance imports, and most of the imports consist of consumed products in order to meet the needs of Jewish immigrants. Then transformation of the commodity composition of imports to cargo concerned capitalist of machinery and devices beside raw materials and energy materials which constitute the main imports. (See Table (11)).

The value of the important import of Israel during 1967-1968
(thousands of dollars)Table (11)

Goods	1967	1968
Animal products	101711	117061
Chemical products	53339	77299
Primary products	257842	377490
Crude Oil	55587	63406
Machinery and equipment and tools	161494	278400
Total	629973	913661
Percentage of total imports	81.2%	83.8%

- Value of raw diamond formed of Israel imports about 53% in 1967 and 47% in 1968.

Source: statistics group of Israel for the years 1967 and 1978-

Received in Arodsky, ibid, p 197.

Works of the boycott:

Arab boycott passed through several stages in the face of the Israeli economy in the period between 1951 date of establishment offices of boycott until May 1956 ten conferences of boycott has held, and there was difficulties surrounding the works " because the authorities in the head office of the boycott were constrained by certain limits. Whereas the success of the mission depended firstly on the extent of implementation of the regional offices which required to implement the provisions of the boycott. This period was considered as foundational of various departments of the boycott like department of statistics, information and inspection."(1)

Then the boycott has concerned the issue of smuggling from neighbouring countries, such as Greece, Cyprus and Turkey. in December 1952, a political committee issued a recommendation for Arab governments to boycott of Cyprus economy as the main centre for smuggling. Then the member states enacted laws against smuggling and in the year 1952 emphasis on the control of transport and zones of free customhouse and control of financial banks, and post remittances,(2) A new Office for the boycott is established in Libya in 1955 and Lebanon and Egypt issued unified laws of a boycott of Israel, and boycott expose to precedents for the first time.

That British authorities protested against some measures of the boycott, and the Zionist organizations urged European companies not to deal with Arab. In 1956 the Uniform Law of boycott was released in Jordan, Iraq, and Syria. And works of the boycott expanded, the thing which made the officials in Israel stated that the loss of material of Israel as a result of the Arab boycott was about 100 million dollars.

1 - Head Office of the boycott, a report from Damascus in 1952, p 5.

2 - Head Office for a boycott of Israel, Damascus, the first half year report.

Some MPs in the Israeli Knesset called for taking retaliatory measures against the Arab boycott and said it has evolved directly into a war against Israel and all external elements that exchange of trade with them,(1). In 1957, an office of the boycott was established in Qatar and another in Kuwait.

"Mosea Barnor" director of the Economic Section in the Foreign Ministry of Israel admitted that "dependence of Israel on foreign aid is not only about economic needs, but is also an inevitable consequence of military war and economic against us since the establishment of our state ... and the increase in expenses of fuel and Maritime Transport, which we suffer because of the Arab boycott, in reality increase than total of foreign aid(2)

Moreover, works of boycotts followed against foreign companies that deal with Israel from 1964 to 1969. There were 1434 companies in the blacklist and has branches in 1028 a total of 2462 commercial and industrial body, so in addition to the 522 Steamboat returns ownership of these companies and ships to 60 countries.

The share of U.S. of institutions of the boycott was 23.6%, and the United Kingdom was 24.1% (3). The organs of boycott were able during the 10-year period from 1965 to 1976 to make investigations and communications relating to the 20187 companies, and it asked 5808 companies and institutions to stop their projects in Israel and withdraw from it after the liquidation of its investments(4). The organs of boycott were able to achieved 80% of the mission, and this percentage was represented by the companies that severed ties with Israel. (See Table 15).

1 - Head Office of the boycott of Israel, Damascus, the second semi-annual report for 1956, p. 4.

2 - Head Office of the boycott of Israel, Damascus, the second semi-annual report for 1957, p. 5.

3 - Murad, Ahmed, ibid p 16.

4 - Kuwaiti newspaper 19.05.1978.

**Institutions that have been included in the blacklist (sectors) between 1954-1968
(1)**

Table (15)

Sectors of Establishments	Number of Establishments	Number of Branches	Percentage
1-Commercial establishments	475	45	20.6%
2- Group (Conglomerates)	22	375	16.2%
1- Institutions of engineering and electronic	160	195	14.2%
2- Food Trade and Stores	101	207	11.7%
3-The rest of stores	--	--	64.9%

This table shows the activity of boycott towards the inclusion of the institutions in the blacklist, there were 1580 establishment with their subsidiaries account for 1106, which were included in the blacklist. And 146 establishment with 78 of their branches has cancelled from them, and commercial establishment get top of the activities of boycott with regard of the inclusion of companies. The sector of travelling and tourism came last in ranking, up to 106%.

**Institutions has cancelled from black list (sectors) between
1954-1968 (1)**

Table (16)

Sectors of Establishments	Number of Establishments	Number of Branches	Percentage
1-Commercial establishment	32	--	21%
2-Groups (Conglomerates)	4	52	15%
3-Institutions of engineering and electronic	32	14	15%

1- I prepared from the results of a study of:

1- Sharif Amer: Stastical study on the Arab byocot of Israel.

The institute for Palestine studies-meno, No 26, Beirut, 1970, P.3.

In 1955, there were (11) establishment listed in the blacklist which reached 27 establishment in 1957, and 23 establishment in 1958, and 28 establishment in 1961 with five branches. This Increased the activity of boycott significantly in 1964- and it has blocked 823 establishment with 874 branch representing 63% of the group of companies listed in blacklist between 1945 to 1968,(1). There were 60 countries had companies were included in the blacklist which formed of American companies(13) , 21 Western Europe (21),and Eastern Europe (Yugoslavia)(2),and in Asia and Australia (13), and Africa(12). There were (11) countries (3) which were included in blacklist in 1954 followed by (7 countries) in 1970, then (10 countries) in 1964 and (9 countries) in 1965.

Britain occupied the first place whereas cancelling of their companies from the blacklist " 21 establishment with 35 branches had cancelled from the list percentage of 29%". Then Turkey "25 establishment with 11 branches had cancelled from the list percentage of 11%" (3)within Sixty countries have companies listed in the black list formed 9 countries 87.3 of the total establishments listed, while formed the rest of 51 countries 12.7%. These countries organized in account of number of its companies are: The United States, Britain, Turkey, France, West Germany, Cyprus, Italy, Switzerland and Japan.

The proportion of the United States alone 36.6% of the total establishments which has intersected, and UK 24.1%, France, Germany, Italy and Switzerland 14.95, Cyprus and Turkey 9.1%, Japan 2%(4) and total of vessels has been included in the black list between the years 1954 to 1968 was 772 vessels which has cancelled 260 from the black list, whereas remained in ban 512 vessels. (see table below 17)

1- IBID P.3

2- IBID P.13

3- IBID P.4

4- 1-I have prepared this table of statistical of Amer Sharif

Statistical study on the Arab Boycott of Israel", Table No.10.

Inserted vessels which has been cancelled from the blacklist

Table (17)

Country	The number of vessels which has been inserted in the list	The number of vessels which has been cancelled	vessels which has been banned
Greece	152	54	98
Britain	92	27	65
United States	55	--	55
Liberia	54	16	38
Norway	75	38	37
Sweden	44	11	32
Italy	53	25	28
West Germany	47	21	26
Netherlands	33	12	21
Denmark	32	13	19
Turkey	19	2	17
Panama	26	9	17
Borma	9	--	9
Ghana	10	1	9
Finland	14	6	8
Poland	10	4	6
Yugoslavia	13	10	3
Portugal	3	--	3
Costa Rica	5	2	3
Ethiopia	5	--	3
The rest of the states	11	7	14

Establishments which has been banned in continents between 1954-1968

Table (18)

Group	Prohibited facilities	Establishments has been freed	Facilities, which has been banned
1-Western Europe	(549)931	(48)112	(504)519
2-Americas	(528)458	(6)20	(522)438
3-Asia and Australia	(15)130	(11)10	(130)120
4-Africa	(15)55	(13)3	(2)52
5-Eastern Europe	6	1	5
Total	(1106)1580	(78)146	(1028)1434
Establishments has been freed		(78)146	--
Establishments has remained ban	--	--	(1028)1434

The figures in brackets mean Branches

Lsmann(1) carried out a survey on the impact of the inclusion of U.S. companies in the blacklist. He explained that 50% of companies that were banned were not affected because they have small transactions with the Arab world. While the banned companies dealing with the Arabs lost most of the Arabs customers, and lost 50% of its sales to the Arabs.

There are four companies has been implemented Secondary boycotts on it and lost more than 50% of its sales to non-Arabs. The smaller companies were more vulnerable to pressure of boycott than big companies which bulk of sales was with the Arab countries or with non-Arab clients who were subject to sanctions of Arab economic. Whereas companies made it clear that the impact of the boycott and ban on operations of normal trade as follows:-

57% companies declared that the ban had no significant effect of them which they have little trade with the Arabs or increased of sales to Israel, and 20% companies acknowledged that the influence of the ban had no significant effect of them with changed of policies of companies and operations of commercial. And 15% companies explained that the ban had big impact on them.(2)

The Arab boycott entered the banking sector and the financial institutions in recent times after the emergence of banks of Arab investment of resources and surpluses of huge financing, so it has funded several companies of governments and foreign, at a time when the international banks are in favour of Israel and deal with it. The Arab banks refused to conform to the provisions of the boycott to participate in the management or approved the purchase of issued bonds with banned banks which traditionally supports Israel.

1- LOSMAN,OP.CIT.,P.113

2- Ibid.,P.113.

Another factor that prevents dealing with banned banks is that institutions of Arab investment typically rely on financial allocations of Arab governments to fund its obligations. Also the Arab banks became in a position to retain their rights to withdraw from any financial issues, Whether to approve guaranteed "Sub-Under-Writing" the involving banned banks.

Therefore, many banks responded to the requests of the Arab boycott, especially banks of United States of America (1) special in respect of "credit letters" which interfere in finance of trade and requesting issued of Arabs Importers. And this response came in order to preserve the American trade with Arab countries.

American companies export products worth 60 million dollars every year, and half of this volume is financed by letters of credit issued by commercial banks(2). Arab banks in Western Europe did not join the global bond unions which included banks supporting of Israel since 1971.

Head of the Banks Union of Arab and French in Paris" Mohamed Abu Shady" Said that there was no invitation to any Arab bank to participate in the world loan of 200 million dollars dedicated to the "Metropolitan Estate and Property Internatuonal" in January 1973, or in the loan worth 30 million dollars and a wave for" Sime Baby International Finance " as well as in 200 million france francs for the European Union of Coal and Steel(3). While the French bank "Lazard Freres" took over the management of the last loan, and the first and second loan took over the admission of bank "N.M.Rothschild \$ Sons" in London, and all these banks are included in the blacklist of the Arab boycott.(4)

1- See Appendix (3) a list of American banks that responded to the boycott

2-New York Times, Step.12.1976.

3-Middle Ewast Economic Digest.Vel.19:8,12 Feb. 1975,P.10.

4-See Appendix (3) European banks included in the black list

Some sources believe that Israel will not be able to probability and stand in front of the activities of the boycott, and the effectiveness of the boycott will increase because the Arab oil will keep the dominant in global markets for several coming years.(1) However this view of the boycott and the role of oil is incorrect because the boycott has a negative role on the situation where there is domination of the interests of capitalist circle in the Arab countries .The weakness in this position result from the deposit of surplus of oil in other currencies in the west,where its movement abide by accumulated and decreased in its actual value and exposed to freezing and confiscation.If not the surplus of Arab money the American states would not be able to issue subsidy and government bonds after the war in 1973 due to the deficit in the balance of American payments.

These bonds enable the United States to extend economic subsidy to Israel which were approved in 1974-1975, and it has reached two and a quarter billion in 1974.(2)Thus the money was the tool to marginalize the boycott,to direct and draw its program.And the total of Arab investments in the united States has amounted 25billion dollars(3).

Which most funds are deposited in banks for short-term and some of them is insurance of the treasury of the United States, and this money has a role in the reform of the balance of American payments, that verplus of balance of American trade in 1969 has amounted (one billion and 936 million dollars, including 545 million dollars for Arabs that representing 28% of the surplus.

1-Palestinian affairs, number 46, a former source, p 155.

2-Palestinian affairs, number 46, a former source, p 155.

3-Sharq newspaper, Beirut 26/04/19783.

The impact of the Arab boycott on Israeli economy:

The Arab boycott deprived the Israeli economy of/from getting raw materials, agricultural products and foodstuffs from the Arab markets such as oil, cotton, grain, cattle, sheep, tobacco, vegetable oils, wool, raw metals and some types of products of fruits, vegetables and rice.

These materials formed 17% of the total imports of Israel in 1968.(1) Israel obtained these materials from distant markets which resulted in an increase of their cost of transfer and assurance. " Scheffer"(2) estimated that the expenses of maritime transport between 1962 and 1966 from countries which turned trade to them from Arab countries rose to 10% or 11% of the price of these commodities.

The expenses of transportation in the Israeli world trade represented 8% of the total value of Israeli imports - and if we took the expenses of insurance and special packing, the loss of Israel of conversion of this trade to distant markets would add up to 10% per annum of the value of the possible trade.

The Israeli market is characterized by its small size, and about 84% of Israel industrial conversion to it. The increased dependence of industry on the domestic market closed down the Arab markets on it because of the boycott, which led to the disuse of a huge output of the enterprises of Israeli industrial. (3)

The Arab boycott caused problems to Israel industry in terms of the excessive rise of cost, which led to higher prices of products and thus limited their ability to compete in foreign markets. Lack of Israeli industry to raw materials due to the boycott deprived it of obtaining them from the nearby Arab markets, which added to cost of transport and led to higher costs of content of import to Israeli exports.

1-Bseiso, ibid, p105.

2 - Michael "The results of the Arab boycott on Israeli and Arab economies" of the modern Zionist thought, M. T.. F., Research Center, Beirut, 1968 (p. 483-486).

3- Bseiso, ibid, P105.

Also, the distant of foreign markets for Israel caused of inflation of expenses of transportation and reduced their ability of competition. In the area of services and transit trade, Israel due to Arab boycott is deprived to export oil through its ports, this which could lead to the development of ports with all its energy, to run a pipeline of Eilat -Ashkelon. And that the Tapline which passes Lebanon, could end up in the port of Haifa.

If it hadn't been for the Arab boycott, the returning from this line to Lebanon would have been estimated annually as five million dollars(1), also Israel deprived due to the boycott of re-export of products of foreign industrial to Arab markets and it had been deprived of access to needs of the Arabs petroleum, which enabled it to run refining and petrochemical plants from Arab petroleum that was cheap in price and cost of transportation. Then processing of re-export of petroleum product to the Arab countries. Beiso(2) said that "Possibilities of doing economic relationship between Israel and Arab countries that Arab countries constrained of ability of industrial of Israel in specialization and full using of its capacity of production and increased of employment, income, and saving materials of productivity at lower prices.

As well as the establishment of relations between the Arabs and Israel, would have enabled the Israeli industry to receive the materials at lower prices and make it benefit from the movements of the factors of production, workforce of cheap Arab and movements of Arab capitals towards Israel.

If it hadn't been for the boycott, Israel would have benefited from the ease of communication with the outside world by land and sea through the Arab countries, thereby reducing the costs of export and import. Abolition of the boycott makes Israel a vital region for free trade and transit between the Arab countries.

1- the same source, p 11.

2 - the same source, p 87.

This would lead to higher rates of growth of the Israeli economy through the development of its industrial sector and exchanges in the field of services and would enable the Israeli industry to work under the umbrella of macro economies. It would enable it to develop the production of capital goods and construction of heavy industries.

Therefore, the growth of the Israeli economy in conditions of peace which shift from military spending to finance development projects and increase savings, and would make Israel a source of weapons to Asia and Africa. In 1963, spending on defense in Israel reached (220 million U.S. dollars, accounting for 10% of the Gross National Product. (1)

There are two consequences of public influence of boycott on the Arab economies if it has been protected. For instance, challenge to the Israeli industry was an incentive to activation of Arab industry in the direction of growth, diversification and the production of goods produced by Israel so that 28% of the value of Israeli exports can be affected by Arabic products. Between 1965 and 1966 (2), Arab countries obtained varied advantage of the gains which were obtained by the Israel before boycott.

In Lebanon, Beirut port grew rapidly instead of Haifa. On the other hand, Beirut airport grew as opposed to Lod. Moreover, Lebanon gained its share of the provision of banking and financial, medical and educational services, which in the absence of the boycott was obtained by Israel. Also conversion of transit trade and services for air transport, trade, tourism and investment to Lebanon.

1-Scheffer, the same source 0.515.

2 - the same source, P122.

We could say the overall impact of the boycott on Arab economies is positive because the potential trade of Arab with Israel substituted of the world and did not monopolize by Israel. Also the Arabs did not need of the Israel funds and technical services which were available in a better way outside of Israel and without political conditions.

Technology in Israel is branch of its parent Technology in the outside world. and Arabs do not have problem to insure its markets, and till now they do not reach the stage of surplus of agriculture production.

In a report to the United Nations (1) seeing the impact of boycott on external trade of Jordan and Lebanon has sold 60% of its exports in 1963 to the countries of the Middle East, whereas Israel sold 5.2% of its exports to countries in the Middle East (all to Cyprus and Turkey). While the imports of Israel from the Middle East represented 26.8% of total imports. Statistics show the full potential in the Israeli economy and the Arab economies to deal with the trade of the economics of Arab countries.

Therefore, We could see the loss of economic of Israel through possibilities of trade which mentioned. And in the side of the effect of trade in the case of absent of relationship of trade after implement of boycott lead that to arise of new relation of trade of Israel which help by the geographical situation. When re-trading that Arab markets which was traditional markets for Palestinian industry would arise again, but the high price of the products would make Israel enter in competition with the products of other countries.

Moreover , Israel will increase imports from the Arab world of oil, grain and raw materials. These low priced of imports from the Arab world will contribute to the reduction of inflation in Israel, also re-trading will provide them with benefits as: Benefit from the profit of regional internal trade, canceling the siege partly of the world trade, some of the natural flow of foreign capital, and benefit from some of the contracts and business relationships, from which it has been deprived.

For instance, take advantage of the transit trade and the waters of the Litani and the Jordan River. There are amounts of unforeseen revenue, it is a huge investment and services that Israel attracts the capital of Arab and provides them with services. As a result of the boycott the Lebanese speculators took over to do these services.

The end of boycott and the siege of Israel will make the circles of businesses of the world staying major centers in Israel, and then attract significant investment from the West.

The American and European companies subcontracted with companies of Israel to carry out their business in the Middle East, such as the implementation of joint projects, irrigation and soil conservation, desalination projects and tourism projects, and signs of success and effectiveness of the boycott appear in three things:

- 1) The high cost of living in Israel.
- 2) Repeated reduction of Israeli currency.
- 3) The persistent deficit in the balance of payments.

But the impact of the boycott on investments remained limited to the nature of these investments, it is kind of the movements of financial interrelated with states favoured of Israel and serve its interests. Investments in Israel is not based on considerations of indicators (and traditional) related to profit, but they take the form of contributions and subsidy are not subject to taxes or the money want to evade taxes in (America). The boycott has succeeded in influencing on certain sectors of the investments, there is evidence that the companies have not been able to go to the end of the cycle challenged of the boycott. So it has been forced to withdraw and increase the influence of boycott on government policy toward the flowing of money to Israel by indirect methods.(1)

1- Symposium on the Arab boycott, Palestinian Affairs, the number of (46).Op,p.149.

With difficulty of providing of quantitative report of influence of the Arab boycott that officials of Israel say that " the loss as a result of the application of the boycott of which we suffered from is estimated as one hundred million pounds for the ten years start-ups in 1948(1). It is exaggerated figure for propaganda reasons. There are also some calculations for the loss of the Arab boycott of Israel "Lusman" cited two estimates, the first to "Qardn Pattersonin" a report to the American Department of State in 1953 that the annual loss incurred by Israel as a result of the boycott, ranging between 25-30 million dollars, and "Harry Ellis" in 1957 estimated the loss of 40 million dollars annually. All studies agreed that Arab boycott caused of hurt of sales of companies of European and American, which made most of them tend towards ending linked to Israel in order to cancel the ban. So it is a clear result that Israel lost investments of potential trade which has been expected, and exposing to stop the current trade links. And it is impossible of finding a quantitative estimate of the effect of boycott.

"Lusman(2) said that in order to measure the cost of opportunities of unseen trade, first one we must know how many companies had cancelled thier plans for Israeli projects (or which decided not to put plan in that direction at all)

Secondly, what is the size of implicit trade in those plans, as well as the difficulty to estimate the size of the direct loss because it requires knowledge of the number of companies that suspended their work. And there are always some companies that replace the ones that suspended their work, thus reducing the essential effect according to chances of trade on the market. But the most important thing that Israel would undoubtedly have been exposed to decline in its commercial relations and lost opportunities for trade and flows capital.

1 – The Leading Arab Magazine, a seminar on the Arab boycott of Israel, Beirut, 01.15.1962, p 26.

2-Ibid.,P.115.

The appreciation of the loss of up to hundreds of millions of dollars annually (1). There are other losses as a result of the boycott. That Israel spent 300 millions dollars on a pipeline from Eilat to Haifa and paid 100 millions for supplying oil due to stop of the pipeline of Kirkuk Haifa, and the Haifa refinery, which was built for the manufacture of crude oil coming from Palestine through the pipeline to earn income from exports plus transit fees is affected by stopping of that line and increased costs of transporting of crude oil and marketing of refinery products became locally with Israel.

The refinery worked for several years with 50% of its capacity(1) while the Haifa refinery represented one-third of the total earnings of export in 1944(2). And "Scheffer" showed(3) that could estimate the impact of trade diversion from Arabs to Israel, especially in the field of transport, for instance the expenses of marine transportation for some imports of agricultural products to Israel between the years 1962-1966 rose to 10% or 11% of the price of these commodities as for the cost of transporting oil constitute 12% to 30% of price of crude oil plus the expenses of insurance and packing, and the 10% is the loss caused to the Arabs and Israel. "Scheffer"(4) said that in 1944. 30% of the imports of Palestine were from the Arabs and they exported to them 3%. At the beginning in 1948, refined petroleum has constituted one-third of Palestine exports to the Arab countries.

Therefore, Israel hopes to exchange trade with the Arab states on the decision of relations of commercial reciprocity, which was between the Arab and Jewish sectors before the establishment of Israel that lead to substantial savings and mutual benefit. Therefore, it is expecting of Israel to import large amounts of Arab exports that it was deprived from such as cotton for the textile industry , cotton seed to fish lakes, grain, and oil for industries and transport.

1- Ibid.,P.116

2- Ibid.,P.106

3- Scheffer, ibid, p (483-485)

4- The same source, p 490 (see Table 13)

Some believe that(1) the boycott has positive impact on the Israeli economy for its dependence on bilateral remittances, also providences of Arab economic shared of transferring of additional funds for development. In addition to bilateral donations of Jewish of world and sympathetic organizations to Israel, but rerelation of trade reduce this aid.

1- Losman OP.Cit.,P.119

Arab exports (excluding oil) to Palestine

1938-1948

Table (13)

	1938	1942	1934	1944	1945	1946
Arab Exports to Palestine (millions of pounds)	2.0	3.0	6.4	8.3	7.6	8.4
Total of Arab exports (millions of pounds)	39	28	42	47	64	96
Total of Palestinian imports (millions of pounds)	11	20	20	28	31	58
Percentage of Palestine in Arab exports	5%	11%	25	18%	12%	9%
Percentage of Arab countries in imports of palastine	18%	15%	32	30%	26%	15%

1- Numbers is made of Arab exports to Palestine of prices of goods on the sidewalk "Sief", while the total number of Arab exports prices "Gop"resulting that the percentage of Arab exports to Palestine have been risen slightly.

2- Source: - Thought of the modern Zionist, M.T.F. Palestinian Research Center, Beirut, 1968, p 491

Estimates of possible Trade between Israeli and Arab
Compared to the trade between years 1944 and 1946 (1)

Table (b)

1944		1946	1960
The percentage of Israeli-Arab trade			(Estimates)
In Arab exports	1/5	1/10	1/13
In Arab imports	1/25	1/100	1/40
In Israeli exports	1/3	1/12	1/5
In Israeli imports	1/3	1/6	1/5

1-These figures include what Israel imported of oil only for domestic consumption and does not include which Israel re-exported of refined petroleum to the Arab countries.

Source: - Thought: of the modern Zionist: M.T.F, the Palestinian Research Center, Beirut, 1968, p 497.

"Chill" provided some estimates of the financial impact of the boycott by saying that even in 1956 Israel lost about 40 million dollars a year due to the pressures of the boycott. While estimates of annual loss in the sixties ranged between 10 million dollar to 60-70 million dollar, and he added that the economic consequences has two parts, that the Arab boycott influenced on both of inward investment and trade in Israel.

Disruption of commercial relations between Israel and Arabs caused dangers of Israeli economy, and prevented the movement of people and goods, and curbed tourist activity plus the withdrawal of companies from Israel due to threats of boycott.(1) Moreover, there is the issue of large financial resources, which did not go to Israel for fear of the boycott after 1973.

That expected transferring of money into the financial market in Israel in the form of loans and bank deposits,(2) Where as working of transport is the most works in Israel affected by the boycott, because Israel is surrounded from all directions with hundreds of miles of Arab land except for the western part .and all the oil pipelines and roads, also Suez Canal has been stopped for Israel. Therefore, it used a long way to trade and this added to the expenses of shipping, insurance, and led to a delay in arrival of supplies.

In addition the ships and tankers coming from Israel or bound to it could not pass on the Arab port in one trip, and this means that the tanker would carry a cargo less than its capacity which increased cost of transportation(3). Moreoverm the impact of boycott in Israel would be clear if we knew the importance of foreign trade of the Palestinian economy.

As the rate of foreign trade exceeds several times the rate of Commerce of Egypt, Iraq, Syria and Turkey. Also Middle East has supplied Palestine with 20%of its exports during period from 1936-1939.

1- Chill, op.cit.,p.23

2- Number of Palestinian Affairs of Palestinian, number of 26, a former source, p 145.

3- 1- Losman OP.Cit., P.116

And after World War II the method of trade has changed on increasing imports of the Middle East to Palestine to 50% in 1944(1). Furthermore , as exports of Palestine rose to the Middle East to 65% in 1941 and 1943, then fell to 55.8% in 1944 (see Table 14). So these figures refute the claim that the boycott is ineffective because the Arabs has little trade.

1- Ibid.,pp.(103-107).

Balance of Palestine trade with the Arab countries from 1938 to 1946

Table (14)

	1938	1942	1934	1944	1945	1946
Exports of Arab country (millions of pounds)	0.6	5.3	6.7	6.8	8.2	8.3
Imported from Arab countries (millions of pounds)	2.0	4.7	13.4	16.6	17.1	17.0
Trade balance (millions of pounds)	1.4	0.6	6.7	9.8	8.9	10.7

Source: - Thought of the modern Zionist: M.T.F, the Palestinian Research Center, Beirut, 1968, p 493.