

## THE ARAB LEAGUE (Boycott of Israel)

The Arab League boycott of the state of Israel is an impediment to U.S. trade and investment in the Middle East and North Africa. Arab League members include the Palestinian Authority and the following states: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the United Arab Emirates (UAE), and Yemen. However, not all Arab League members participate in the boycott.

The primary aspect of the boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary and tertiary aspects of the boycott discriminate against U.S. and other foreign firms that do business with both Israel and boycotting countries and directly affect U.S. exports to the region. The secondary boycott prohibits any entity in Arab League members from engaging in business with U.S. or other foreign firms that contribute to Israel's military or economic development. The tertiary boycott prohibits business dealings with U.S. and other firms that do business with blacklisted companies. Such firms are placed on a blacklist maintained by the Damascus-based Central Boycott Office (CBO), a specialized bureau of the Arab League. The CBO uses a variety of means to determine compliance with the boycott, including analyzing information obtained through questionnaires sent out to third-country individuals and firms. If the CBO suspects that a firm has engaged in proscribed activities, it may recommend that the Israel Boycott Offices of the member states add the firm to each member state's blacklist. Boycott offices of Arab League states are supposed to meet in Damascus twice a year to consider adding foreign firms to, or removing them from, the blacklist.

As a result of the ongoing violence in Israel and the occupied territories that began in late 2000, there have been calls to reactivate the Arab League boycott against Israel, including resolutions adopted at the October 2000 Cairo Arab Summit. During and following the Summit, Syria proposed that the boycott be reinstated and that a study be conducted to determine how best to implement it. As a result of these regional developments, the Central Boycott Office held an official regional meeting in Damascus in October 2001, the first such meeting since April 1993. Nineteen of the

Arab League's 22 member states participated in the October CBO meeting, with only Egypt, Jordan and Mauritania absent. However, the October meeting reportedly did not result in the addition or removal of foreign firms from the blacklist, instead focusing on internal structural issues in line with the Arab League's call for a 'revitalization' of the CBO and the boycott. The most recent meeting, in October 2002, produced no change.

While the legal structure of the boycott in the Arab League remains unchanged, its enforcement varies widely from country to country. Some member governments of the Arab League have consistently maintained that only the Arab League as a whole can revoke the boycott. Other member governments support national discretion on adherence to the boycott, and a number of states have taken steps to dismantle their adherence to some aspects of it. More specifically, Egypt has not enforced any aspect of the boycott since 1980, pursuant to its 1979 Treaty of Peace with Israel. Jordan formally terminated its adherence to all aspects of the boycott effective August 16, 1995, when legislation implementing its Treaty of Peace with Israel was enacted. The Palestinian Authority agreed not to enforce the boycott in a 1995 letter to then-U.S. Trade Representative Kantor.

The Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) announced in September 1994 their non-adherence to the secondary and tertiary aspects of the boycott. Bahrain is officially committed to enforcing the primary aspect of the Arab League Boycott of Israel, but enforcement is inconsistent. Occasionally, outdated tender documents require enforcement of the Arab League Boycott (including the secondary and tertiary aspects not enforced since 1994), but such instances are usually quickly remedied upon request. Kuwait has taken concrete steps to revise commercial documentation to eliminate all direct references to the boycott of Israel. Kuwait still applies a primary boycott of goods and services produced in Israel. In 1996, both Oman and Qatar ended boycott enforcement and established reciprocal trade arrangements with Israel. However, in October 2000, Oman closed its trade mission in Israel and required the closure of the Israeli trade mission in Muscat. Omani customs processes Israeli origin shipments entering with Israeli customs documentation. Likewise, Israeli

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immigration stamps in third country passports are not an issue. Telecommunications links and mail flow normally. However, Omani firms have shied from carrying any identifiably Israeli consumer products. Qatar does not practice the Arab Boycott, but some government documents still include outdated boycott language. Saudi Arabia enforces only the primary level of the Arab League boycott on Israeli products. If a foreign company is found to have imported an Israeli-made product, or a product with even minimal Israeli content, the Saudis will ban that company from exporting to the Kingdom. Usual practice has been that the Saudi government will remove its ban after the company agrees to stop shipping further Israeli products. In 2002, according to press reports, Saudi Arabia banned five American companies for violating the primary boycott. While the UAE no longer enforces the secondary and tertiary aspects of the boycott, occasional government contracts continue to contain pro forma provisions requiring a contractual obligation to 'observe all regulations and instructions enforced from time to time by the League of Arab States regarding the boycott of Israel especially those related to blacklisted companies, ships, and persons.' Indeed, in a recent case, involving a delayed high-profile contract between an American firm and a local government agency, UAE government authorities instructed the Abu Dhabi Emirate, in writing, to exempt the U.S. firm from the provisions of the boycott clause.

In the run-up to the November 2000 Summit of the Organization of Islamic Conferences (OIC), Oman, Morocco, and Tunisia closed their Israeli trade offices or missions to protest the Israeli response to the Palestinian intifada that began in September. There have also been grass-roots campaigns in some Arab countries to boycott U.S. companies and products to protest the U.S. response to Israeli actions during the intifada. In Tunisia these campaigns are generally led by labor unions who distribute lists of U.S. products to boycott. These lists are frequently published in opposition newspaper, but not in official government publications. There has been no indication of official government support for these campaigns, and the impact appears to have been limited and temporary.

Other Arab League members that have stopped enforcing the boycott include: Mauritania, Morocco, and Tunisia, which have recognized

Israel through establishment of limited diplomatic relations; Yemen, which formally renounced observance of the secondary and tertiary aspects of the boycott in 1995; and Algeria, which still adheres in principle but not in practice to the boycott. In Lebanon, the primary boycott is generally enforced, but Lebanese officials selectively enforce the secondary and tertiary boycotts. Djibouti does not currently enforce any aspects of the boycott, and there are no known restrictions on commerce with Israel. For example, in the local import codification manual used by customs officials, Israel is given an import code number just like every other country, and the comment section does not mention a boycott. While Djibouti certainly has very little direct trade with Israel, it is probable that some cargo transiting the seaport originated or passed through Israel. However, no problems have ever been reported concerning the boycott. Although the Djiboutian government supports the Palestinians, and has recently made great efforts to identify with other Arab causes, there has, so far, never been any mention of the boycott.

While the boycott is no longer a significant issue in most Arab League countries, it remains a substantive impediment to doing business in those countries which still rigidly impose its terms. In this respect, Syria continues to be the strictest adherent of the primary and secondary boycotts. Although it allows goods to be imported with a positive, rather than negative, country of origin certificate, Syria strictly monitors and controls entry into its ports by ships that have made calls in Israel. Syria often requires certifications of commercial activity in Israel by companies seeking to register trademarks or acquire import licenses; anecdotal information suggests that enforcement of this requirement may have increased in 2001, partly as a result of accusations of Israel related business activity made by local representatives of foreign firms who seek to disadvantage their rivals. Syria maintains its own blacklist of firms for the boycott, separate from the outdated Arab League Boycott Office list. However, even Syria has restrained and limited its enforcement of the tertiary boycott. Along with reports of increased issuances by the Syrian government of Boycott related questionnaires to foreign firms during 2001, several U.S. and other Western firms were reportedly removed from Syria's own blacklist.

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Under U.S. antiboycott legislation enacted in 1978, U.S. firms are prohibited from providing certain information about business relationships in response to a boycott request and are required to report receipt of any such requests to the U.S. Department of Commerce's Office of Antiboycott Compliance. U.S. antiboycott laws also prohibit U.S. persons from taking certain other actions, including refusal to do business with a blacklisted company. Boycott compliance requests most often reflect obsolete references in procurement or import documents, or a reluctance to make overt changes in document templates, rather than official policy. Although there have been exceptions, requests that foreign firms comply with secondary and tertiary boycott certifications are typically withdrawn when challenged. However, the fact that the *de jure* status of the boycott and U.S. law remain unchanged, makes the boycott a continuing problem for firms that may have to report boycott-related requests. Where enforced, the boycott serves as a ban or zero quota on the products of a blacklisted firm. While it is unevenly applied, the boycott results in economic harm to U.S. firms in terms of lost sales, foregone opportunities, and distortion of investment decisions that are difficult to quantify accurately. The United States continues to oppose the boycott. Embassies and visiting officials raise the boycott with country officials, noting the persistence of prohibited boycott requests and the impact on both U.S. firms and on the countries' ability to expand trade and investment.