

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. While 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. (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 (U.A.E.), and Yemen.) The secondary and tertiary aspects of the boycott directly affect U.S. exports to the region. The secondary aspect prohibits any entity in Arab League states from engaging in business with U.S. or other foreign firms that contribute to Israel's military or economic development. Such firms are placed on a blacklist maintained by the Damascus-based Central Boycott Office (CBO), a specialized bureau of the Arab League. The tertiary aspect of the boycott prohibits business dealings with U.S. and other firms that do business with blacklisted companies.

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 the blacklist. Boycott offices of Arab League states are supposed to meet in Damascus twice a year to consider adding foreign firms to (or removing foreign firms from) the blacklist, but there has been no regional boycott meeting since April 1993, and some states have dismantled their boycott offices entirely. The reason given for postponement of meetings has been the inability to assemble a quorum.

The legal structure of the boycott in the Arab League remains unchanged. The de facto status has changed significantly.

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. Enforcement of the boycott remains the responsibility of individual member states, and enforcement efforts vary widely from country to country.

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 the 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. In addition, the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the U.A.E.) announced in September 1994 their non-adherence to the secondary and tertiary aspects (a decision which Kuwait had announced previously). Accordingly, requests that foreign firms comply with secondary and

Arab League (Boycott of Israel)

tertiary boycott certifications are typically withdrawn when challenged. In 1996, both Oman and Qatar ended boycott enforcement and established reciprocal trade arrangements with Israel. The boycott, however, remains a substantive impediment to doing business in countries which rigidly impose its terms, such as Syria.

Under U.S. antiboycott legislation enacted in 1978, U.S. firms are prohibited from providing any information about business relationships in response to a boycott request and are required to report receipt of any such request 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. Encouragingly, the number of boycott related requests to U.S. firms to take prohibited actions is significantly diminished across the region. In some states, such as Oman, apparent requests now reflect obsolete references in procurement or import documents rather than official policy. The fact that the de jure status of the boycott and U.S. law remain unchanged, however, make 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 significant economic harm to U.S. firms in terms of lost sales, foregone opportunities and distortion of investment decisions which are difficult to quantify accurately.