

# ARAB LEAGUE

The impact of the Arab League boycott of commercial ties with Israel on U.S. trade and investment in the Middle East and North Africa varies from country to country. While it remains a serious barrier for U.S. firms operating in the region, the boycott has extremely limited effect on U.S. trade and investment in most Arab League countries. The 22 Arab League members include the Palestinian Authority and the following states: Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Mauritania, Morocco, Somalia, Sudan, Syria, Tunisia, Yemen, and the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates).

The United States has long opposed the Arab League boycott through both words and action. U.S. Government officials have repeatedly urged Arab League member states to end enforcement of the boycott. Many agencies play a role in this effort. In particular, the Department of State and the National Security Council take the lead in raising U.S. concerns with political leaders in Arab League member states. The U.S. Departments of Commerce and the Treasury, along with the United States Trade Representative, monitor boycott policies and practices of Arab League member states and, aided by U.S. embassies, attempt to lend advocacy support to firms facing boycott-related pressures from host country officials.

Under U.S. antiboycott legislation enacted in 1978, U.S. firms are prohibited from responding to any request for information that is designed to determine compliance with the boycott and are required to report receipt of any such request to the U.S. Department of Commerce's Office of Antiboycott Compliance (OAC). Part of U.S. officials' efforts thus involves noting for host country officials the persistence of illegal boycott requests and those requests' impact on both U.S. firms and on the countries' abilities to expand trade and investment ties with the United States. In this regard, Department of Commerce OAC officials periodically visit Arab League member states to consult with appropriate host country counterparts; the most recent such visit, which included State Department officials, occurred in March 2008.

The primary aspect of the boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. This prohibition may conflict with the obligation of Arab League member states that are also members of the World Trade Organization (WTO) to treat products of Israel on a Most Favored Nation (MFN) basis. The secondary and tertiary aspects of the boycott discriminate against U.S. firms and those from other countries that wish to do business with both Israel and boycotting countries. The secondary aspect of the boycott prohibits individuals, as well as private and public sector firms and organizations, in Arab League countries from engaging in business with U.S. firms and those from other countries 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.

While the legal structure of the boycott in the Arab League itself has remained unchanged, enforcement of the boycott remains the responsibility of individual member states, and enforcement efforts vary 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 the view that adherence to the boycott is a matter of national discretion, and a number of states have taken steps to dismantle various aspects of it. Attendance by Arab League member governments of periodic meetings of the CBO is inconsistent; the U.S. Government has on numerous occasions indicated to Arab League members that attendance at these meetings is not conducive to improving trade and

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investment ties, either with the United States or within the region. A number of governments have responded that they only send representatives to CBO meetings in an observer capacity.

Egypt has not enforced any aspect of the boycott since 1980, pursuant to its peace treaty with Israel, although U.S. firms occasionally find some government agencies using outdated forms containing boycott language. In past years, Egypt has included boycott language drafted by the Arab League in documentation related to tenders funded by the Arab League. Jordan ended its enforcement of the boycott with the signing of its peace treaty with Israel in 1994. Algeria, Morocco, Tunisia, and the Palestinian Authority do not enforce the boycott.

Libya has a boycott law on its books, but enforcement has been inconsistent and senior Libyan officials report that the boycott is not currently being actively enforced.

The legal status of Iraq's boycott laws is ambiguous. There is an existing law from 1956 which provides for an office charged with the enforcement of the boycott. Coalition Provision Authority (CPA) Order 80 amended Iraq's trademark law to remove boycott requirements from Iraqi trademark law. Recent efforts by the Iraqi Office of Trademark Registration to enforce the boycott have not been met with success. Other Iraqi government officials, including at the ministerial level, have asserted that the boycott is no longer in force as a practical matter. Nonetheless, U.S. companies continue to encounter prohibited requests in documentation prepared by certain Iraqi ministries, parastatals, and private sector entities. U.S. Government authorities have addressed these on a case-by-case basis and are working with the Iraqi government to put in place a legal structure that removes boycott-related impediments to trade. Senior Iraqi officials are aware that enforcement of the boycott would jeopardize Iraq's ability to attract foreign investment. U.S. embassy officials continue to engage regularly with the government of Iraq to resolve remaining discrepancies between Iraqi government policies and individual entity practices.

There are no specific laws on the books in Yemen regarding the boycott, though Yemen continues to enforce the primary aspect of the boycott. However, Yemen is implementing its 1995 governmental decision to renounce observance of the secondary and tertiary aspects of the boycott and does not have an official boycott enforcement office. Yemen remains a participant in annual meetings of the CBO in Damascus.

Lebanese law essentially provides for enforcement of the Arab League boycott. Although it is not clear how completely the law encompasses all three aspects of the boycott, Lebanon definitely continues to enforce the primary boycott. The cabinet has reportedly resumed voting to include new CBO-recommended companies on Lebanon's national boycott list (after a period in which such votes went the other way). Government contacts report that Lebanon continues to view attendance at CBO meetings as important, because Lebanon lobbies at those meetings against blacklisting certain companies.

In September 1994, the GCC countries announced an end to their enforcement of the secondary and tertiary aspects of the boycott, eliminating a significant trade barrier to U.S. firms. In December 1996, the GCC countries recognized the total dismantling of the boycott as a necessary step to advance peace and promote regional cooperation in the Middle East and North Africa. Although all GCC states are complying with these stated plans, some commercial documentation containing boycott language continues to surface on occasion.

The situations in individual GCC countries are as follows:

Bahrain does not have any restrictions on trade with U.S. companies that have relations with Israeli companies. Outdated tender documents in Bahrain have occasionally referred to the secondary and

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tertiary aspects of the boycott, but such instances have been remedied quickly when brought to authorities' attention. Bahrain's Ministry of Finance circulated a memorandum to all Bahraini Ministries in September 2005, reminding them that the secondary and tertiary boycotts are no longer in place and that they should remove any boycott language, including that relating to the primary boycott, from government tenders and contracts. The government has stated publicly that it recognizes the need to dismantle the primary aspect of the boycott and is taking steps to do so. In September 2005, Bahrain closed down its boycott office, the only governmental entity responsible for enforcing the boycott. The U.S. Government has received assurances from the government of Bahrain that it is committed to ending the boycott. Bahrain is fully committed to complying with WTO requirements on trade relations with other WTO Members, and Bahrain has no restrictions on U.S. companies trading with Israel or doing business in Israel, regardless of their ownership or relations with Israeli companies. Although there are no entities present in Bahrain for the purpose of promoting trade with Israel, Israeli-labeled products reportedly can occasionally be found in Bahraini markets.

Kuwait reports that it has not applied a secondary or tertiary boycott of firms doing business with Israel since 1991, and continues to adhere to the 1994 GCC decision. Kuwait claims to have eliminated all direct references to the boycott in its commercial documents as of 2000 and affirms that it has removed all firms and entities that were on the boycott list due to secondary or tertiary aspects of the boycott prior to 1991. Kuwait still applies a primary boycott of goods and services produced in Israel and there is no direct trade between Kuwait and Israel. However, the government states that foreign firms have not encountered serious boycott-related problems for many years. Kuwait's boycott office is supervised directly by the Director General for Customs. Kuwaiti officials reportedly regularly attend Arab League boycott meetings, although whether they are active participants is unclear.

Oman does not apply any aspect of the boycott, whether primary, secondary, or tertiary, and has no laws providing for boycott enforcement. Although outdated boycott language occasionally appears in tender documents, Oman is working to ensure such language is removed. In January 1996, Oman and Israel signed an agreement to open trade missions in each country. However, in October 2000, following the outbreak of the second Intifada, Oman and Israel suspended these missions. Omani customs processes Israeli-origin shipments entering with Israeli customs documentation. However, Omani firms recently have reportedly avoided marketing any identifiably Israeli consumer products. Telecommunications and mail flow normally between the two countries.

Qatar does not have any boycott laws on the books and does not enforce the boycott, although it does usually send an embassy employee to observe the CBO meetings in Damascus. An Israeli trade office opened in Qatar in May 1996; however, Qatar ordered that office closed in January 2009 in protest against the Israeli military action in Gaza. October 2007 information indicated that there was in that year officially about \$2 million in trade between the two countries; real trade, including Israeli exports of agricultural and other goods shipped via third countries, could have been at least double the official figures. Qatari policy permits the entry of Israeli business travelers who obtain a visa in advance. Such persons have still sometimes encountered difficulties obtaining visas, though those problems were often resolved by the local trade office working with its contacts at a higher level. Despite closure of the Israeli trade office in early 2009, the government has said trade with Israel can continue and Israelis can still visit the country. Some Qatari government tender documents still include outdated boycott language, though the U.S. embassy is unaware of boycott language used in any documents in 2008.

In accordance with the 1994 GCC decision, Saudi Arabia modified its 1962 law imposing a boycott on Israel so that the secondary and tertiary boycotts were terminated and are no longer enforced in the Kingdom. In light of its accession to the WTO in 2005, the Saudi government re-issued the original directive confirming that these two aspects of the boycotts are not to be applied in Saudi Arabia. The

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Ministry of Commerce and Industry (MOCI) established an office to address any reports of boycott-related violations, and that office appears to take its responsibility in this regard seriously. The MOCI met with the U.S. Commerce Department's OAC in September 2005 and February 2006 to discuss methods for ensuring Saudi commercial documents and tenders are in compliance with antiboycott regulations. Reported violations appear to reflect out-of-date language in recycled commercial and tender documents. Saudi companies have been willing to void or revise that language when they are notified of its use. Saudi Arabia is obligated to apply WTO commitments to all current WTO members, including Israel.

Also in accordance with the 1994 GCC decision, the United Arab Emirates (UAE) does not implement the secondary and tertiary aspects of the boycott. The UAE has not renounced the primary aspect of the boycott; however, the degree to which the government enforces the primary boycott is unclear. According to data from the U.S. Department of Commerce, U.S. firms continue to face a relatively high number of boycott requests in the UAE (the high volume of U.S.-UAE trade may be contributing to this phenomenon) which the government explains is mostly due to the use of outdated documentation, especially among private sector entities. The United States has had success in working with the UAE to resolve specific boycott cases, and the government continues to take steps to eliminate prohibited boycott requests. The UAE has issued a series of circulars to public and private companies explaining that enforcement of the secondary and tertiary aspects of the boycott is a violation of Emirati policy. These circulars urge entities to amend relevant documents to include boycott-free language agreed to by the UAE and U.S. Department of Commerce officials. The Emirati authorities report that compliance with these requests has been high and is ongoing. The Ministry of Economy also reports it conducts periodic checks of entities' compliance efforts.

In recent years, press reports occasionally have surfaced regarding officially-sanctioned boycotts of trade with Israel by governments of non-Arab League member states, particularly some member states of the 57 member Organization of the Islamic Conference (OIC), headquartered in Saudi Arabia (Arab League and OIC membership overlaps to a considerable degree). Information gathered by U.S. embassies in various non-Arab League OIC member states does not paint a clear picture of whether the OIC institutes its own boycott of Israel (as opposed perhaps to simply lending support to Arab League positions) or of the degree of boycott activity in these countries. Pakistan and Bangladesh, for example, reportedly do impose a primary boycott on trade with Israel, but the U.S. Government is not aware of U.S. company complaints of enforcement by either country of secondary or tertiary aspects of such a boycott.