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*Israel's
Anti-Boycott
Policy*

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The opinions expressed in this paper do not necessarily reflect those of the Leonard Davis Institute.

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ISRAEL'S ANTI-BOYCOTT POLICY

EXECUTIVE SUMMARY

The subject of this study is Israel's policy vis-à-vis the Arab boycott which was first formally introduced against the Jewish community in Palestine on 1 January 1946, and has persistently been applied ever since by most of the member states of the Arab League.

It is "conventional wisdom" that Israel does not really have an anti-boycott policy. This study demonstrates that this is not and has never been the case. What Israel does not have is a counter-boycott policy.

Ever since the Arab boycott was introduced, first the Zionist institutions and later the Israeli administration sought ways to negate its most objectionable manifestations: prevention of use of the Suez Canal until 1967 by Israeli ships, foreign ships bearing Israeli or Israeli-bound cargoes; withdrawal of foreign companies with investments in Israel and refusal by foreign companies to invest in Israel due to Arab pressure; Arab blacklisting of foreign companies trading and doing business with Israel, and the resulting refusal by many companies abroad to trade and do business with Israel; the indirect cooperation of foreign governments with the boycott by abstaining from any action which makes its application in their countries more difficult, or agreeing to authenticate signatures on boycott related documents.

In its campaign Israel has used moral, legal and practical arguments with the foreign companies which have given in to the boycott, with the governments of states in which the Arabs have visibly applied the boycott, and in international institutions dealing with trade relations between states on the basis of the principle of non-discrimination. Unlike Don Quixote Israel has not tried to fight windmills. In other words, it has not invested efforts in trying to break the primary boycott (i.e. the direct boycott by the Arab states of Israel), or to force foreign companies which are totally dependent on relations with the Arab countries (such as oil companies) to endanger these relations by doing business with Israel.

This study examines the changing emphases and strategies used by Israel in its anti-boycott campaign. It breaks new ground in describing the various bodies in Israel which have dealt with the issue over the years, their activities and the opinions of their directors.

This study is of interest not only to those who are concerned with the subject of economic sanctions in international relations in general, or in the subject of the Arab boycott as one of the manifestations of the Arab-Israeli conflict in particular. This is a study of the making and implementation of

policy in Israel on the non-"high policy" level, which is the level on which most policy is made and implemented, but which is rarely studied in detail. The study is not based on any abstract theories, nor does it reach any theoretical conclusions. All along it remains on the strictly empirical level.

FOREWORD

I first became interested in the subject of the Arab boycott as an example of international economic sanctions while teaching a course on "the Economic Dimension of International Relations" in the Department of International Relations at the Hebrew University, in the years 1973-75.

To my theoretical interest in the subject was added practical work with Ephraim Davrath, Deputy Director General of the Ministry of Finance, within the framework of the Economic Warfare Authority in 1982; the subsequent preparation of papers on the boycott for the Authority; and the editing of the material which emerged from the seminar on "Freedom of Trade and the Arab Boycott" held in Brussels in June 1984 for the Anti-Defamation League of B'nei B'rith.

Since I was most familiar with the anti-boycott work which has been done in Israel and abroad since 1975, when the Economic Warfare Authority was established, I became curious about the history of the Authority and the work which had been done before the Authority existed. My first move was to seek interviews with the persons who had been involved in the work of the Department for Political and Economic Planning (the *Matmach*), which dealt with the Arab boycott within the framework of the Ministry of Foreign Affairs in the years 1960-1973, and the persons who had set up the economic Warfare Authority in 1975.

Next I sought information on the period which preceded the establishment of the Department in the Ministry of Foreign Affairs in 1960, by going over newspaper clippings in the *Jerusalem Post* archive. This led me, *inter alia*, to the files of the Jewish Agency External Relations Department of the years 1956-61 in the Central Zionist Archives.

For the pre-state period the files of the Jewish Agency Political Department and Department of Commerce and Industry, as well as those of the Jewish Agency Treasurer in the Central Zionist Archives, also offered material on the boycott dating back to 1931.

In addition to this backward march I sought out all the available books and articles dealing with the boycott, most of which say very little, or very little which is accurate, on Israel's anti-boycott policy. I also looked through the literature on international economic sanctions, Israel's economic history and its foreign policy, as well as the relevant Knesset minutes since 1949 and those

of debates in the U.N. Security Council, General Assembly and Economic and Social Commission since 1951, at which Israel raised the boycott issue.

In the course of my work in the Economic Warfare Authority I came across a good deal of confidential and secret material connected with the treatment of specific boycott cases and contacts with foreign governments and organizations. None of this material was used in the writing of this study, nor are the names mentioned of any of the companies which the Authority has dealt with since 1975, unless they were previously cited in published works.

I should like to thank the Leonard Davis Institute for International Relations, and especially its Executive Director Dr. Gabriel Sheffer, for encouraging this project, and Dr. Sheffer for his useful comments on the first draft. The staff at both the Zionist Archives and Israel State Archives were most helpful in assisting me locate the relevant historical files. I am most grateful for the free use of the *Jerusalem Post* archive of clippings from old issues. I should also like to thank Moshe Kobi of the Economic Warfare Authority in the Ministry of Finance for going over (at the request of the Authority's director Ephraim Davrath) that part of the manuscript dealing with the Authority, to ensure that I did not inadvertently reveal information which ought to remain confidential.

Finally I am extremely grateful to Efraim Eilon, Avigdor Dagan, Dr. Zevi Dienststein, Yehuda Nassi, Yuval Elizur, Avraham Agmon, Danny Halperin and Ephraim Davrath, as well as several personalities who requested that their names should not be mentioned—all of whom were deeply involved with Israel's anti-boycott policy at one time or another—for agreeing to talk to me. I left out all the comments which were made by them off the record. Unless otherwise indicated all the opinions expressed in this study are my own.

Introduction

Within the framework of the literature on international economic sanctions, the Arab boycott against Israel has for years been a favorite case study, even though in many respects it is a unique case and thus not a very suitable example for comparisons.

First of all, the Arab boycott is probably the longest lasting economic sanction in modern history. It predates the establishment of the State of Israel. Within the framework of Arab-Jewish struggle over Palestine the Jewish Yishuv (community) has been subjected to an Arab boycott of one sort or another since 1922.

When the State of Israel was founded in 1948 the boycott, formally declared by the Arab League at the end of 1945, was already well established, though it was only in 1949 that the formal mechanism for its implementation, the Central Boycott Office (CBO), was moved to Damascus and started to function systematically. The boycott was thus one of the basic givens in Israel's domestic economic policy and foreign economic relations ever since its establishment. Furthermore, the primary boycott—the direct boycott of Israel by the Arab states—has always been taken for granted as a legitimate tool used by the Arab states in their struggle against Israel, which will persist in one form or another until peace is established between all the parties concerned.

Second, the declared goal of the boycott is unique. Its original goal in the years 1946-1948 was "to frustrate further Jewish economic development in Palestine by means of a boycott against Zionist produce."¹ Since 1948 its official goal has been to serve the purpose of eliminating the Zionist entity from the face of the earth, and that of the CBO to coordinate non-military efforts to reassert a cohesive force within the Arab world in its efforts to destroy Israel.²

Even if it is true that most of the members of the Arab League, the body formally implementing the boycott, have long since given up the goal of liquidating the State of Israel, the goal of the Arab boycott has not been redefined. Thus, the Arab states have never stated that they will lift the boycott if, say, Israel agrees to take all the Arab refugees back, to relinquish control over the territories which it occupied in June 1967, or to enable the establishment of a separate Palestinian state. It is curious that *most* of the studies on economic sanctions have not taken note of this latter fact. Thus in the list of foreign policy goals served by economic sanctions which appears in Gary Clyde Hufbauer and Jeffrey J. Schott's monumental (753 page) study on economic sanctions³ the total elimination of the boycotted state does not figure.

In his pioneering study of the boycott Dan Chill mentions the immediate goals of the boycott—such as to bar Arab importation of Israeli goods, to forbid

the passage of a long list of Israeli bound goods through the Suez Canal, and the boycott of ships calling on Israeli ports,⁴ but not the underlying long term goal.

James M. Lindsay is one of the few scholars who does admit that the goal of the Arab boycott was to "prevent (sic) Jewish state"⁵ which he classifies as a "compliance goal"—i.e. one which seeks "to force the target to alter its behavior to conform with the initiator's preferences."⁶ Israel is apparently expected to comply with the Arab preference that it cease to exist.

Third, no economic sanctions have ever been as institutionalized and bureaucratized as the Arab boycott, with a permanent apparatus and systematic implementation mechanisms.⁷

Fourth, in no other case have those imposing a boycott gone to so much trouble to get third parties not directly involved in the conflict to comply with the boycott. Furthermore, in no other case have so many states which do not necessarily sympathize with the political goals of the boycotters, complied with their boycott for purely commercial reasons.

Fifth, unlike many other cases of economic sanctions, it is impossible to measure the economic damage which the boycott has caused Israel in terms of lost export opportunities, the need to divert or camouflage trade, lost foreign investment etc. This is due to the fact there is nothing to compare the current situation with, and to the fact that in other respects the boycott may actually have been economically beneficial to Israel, forcing it to be more self-sufficient and develop sophisticated industries which it might not have developed under "normal" conditions. Thus one observer wrote in 1967: "Far from strangling Israel, the boycott actually may have stimulated the country's economic development by promoting greater self-reliance."⁸ Consequently, any attempt to calculate the economic cost to Israel of the boycott, as several students of economic sanctions have tried to do, is at best speculative.⁹

However, neither the success nor the failure of the Arab boycott, nor for that matter of Israel's anti-boycott policy, should be measured in economic terms. Lindsay has suggested that among the goals of economic sanctions may be international symbolism, which he defines as sending "messages to other members of the world community," or domestic symbolism—increasing the initiator's domestic support, or thwarting internal criticism of its foreign policies by acting decisively.¹⁰

Thus one may argue that the boycott is important as a symbol for the Arab states which are still in a state of war with Israel, to demonstrate, both externally and internally, their refusal to accommodate themselves to Israel's existence, or to have any dealings with it off the battle-field. For Israel, on the other hand, the anti-boycott campaign may also be viewed as a symbol—a symbol vis-à-vis the world at large and the public at home of the fact that Israel will not take any punches without an appropriate reaction.

In fact, the Israeli reaction to the boycott has been as unique as the boycott itself. It has been carried out on three levels: accommodation, the implementation of counter-boycott measures, and a struggle against the secondary, tertiary, and voluntary boycotts.¹¹

It is the purpose of this study to focus on the second and third levels, which constitute Israel's anti-boycott policy over the years.

I. In the Beginning—1922-1948

In his study on the boycott Dan Chill listed many of the pre-State Arab resolutions concerning the boycotting of Jewish and Zionist goods. "In 1922, the Fifth Arab Congress, meeting in Nablus, called on Arabs to boycott Jewish business concerns. In October 1929, the First Palestine Arab Women's Congress urged 'every Arab to buy nothing from the Jews but land, and to sell them everything but land,'" Chill wrote. "In 1931, the World Islamic Congress passed a resolution calling for 'the protection of the Holy Places in Palestine by boycotting Zionist goods.' The following year, the Arabs attempted to boycott the Jewish-sponsored Tel-Aviv Levant Fair and, in March 1933, a general conference, under the auspices of the Arab Executive Committee, proposed a boycott of 'Zionist goods, products and commercial premises.' These events led to the Pan-Arab Conference held at Bludan, Syria, in September 1937. A resolution was passed calling the boycott of Jews 'a patriotic duty.'"¹²

In fact, this list is not complete. For example, at the end of September 1931 Jamal al-Husseini, Secretary of the (Palestine) Arab Executive, also called on the Palestinian Arabs to boycott Jewish products, while in November of the same year a similar appeal was made by Mussa Kassem al-Husseini, President of the Arab Executive.¹³

It is conventional wisdom that with regard to the boycott, before 1945 "exhortations and resolutions, rather than actual deeds, predominated."¹⁴ Until the mid-1930s this was not far from the truth. Thus when the Arab Executive called for a boycott of the Jews in Palestine in 1931, following the publication of the MacDonald White Paper, Dr. Chaim Arlosoroff, Head of the Jewish Agency Political Department, was informed that there was very little compliance by the Palestinian Arabs with the boycott.¹⁵ However, in the mid-30s the Jewish economy did start to feel its effects.

Professor Yoram Ben-Porath has shown, for example, that there had been a remarkable correspondence between fluctuations in Jewish immigration to Palestine until 1948 and the growth rate of capital stock. "A glaring exception is the period of the Arab boycott and disruptions in 1936-1939," he wrote.¹⁶

On 31 January 1937, in the midst of the (Arab) general strike in Palestine, Arie Shenkar, President of the (Jewish) Manufacturers' Association of Palestine, mentioned the "strict and firm boycott declared by our neighbors" as one of the reasons for the difficult situation of many Jewish industries.¹⁷

The remedies which Shenkar proposed at the time included efforts to increase exports to countries outside the Middle East, while the Jewish economy reacted to the new situation by becoming increasingly independent from the local Arab economy (for example, the Tel-Aviv port was developed to avoid use of the port in Jaffa). However, these were more the instinctive

reactions of the economic interests concerned, than of the Jewish national institutions as such.

The boycott which developed in the 1930s was actually suspended during the Second World War,¹⁸ and the neighboring Arab states became the main export markets for Palestinian Jewish produce.¹⁹ However, the whole setup collapsed upon the formation of the Arab League in 1945 and its declaration of a total boycott of "Zionist goods" which went into force on 1 January 1946.

Ten days after the boycott was declared Dr. Alfred Bonne, of the Jewish Agency Economic Research Institute, wrote a first evaluation of the damage expected. Bonne stated that while the boycott could not seriously injure the Jewish economy as a whole, certain branches, such as pharmaceuticals, textiles, leather goods and glassware would suffer.

He advised that "If the boycott remains a non-governmental affair, more or less restricted to a(n) (Arab) League inspired movement among merchants and consumers, it would seem wise for Jewish political bodies to refrain from taking any official counter-measures. Jewish professional organizations could work out a defense and retaliation programme adapted to the general economic conditions at present prevailing in Middle East markets, the whole hearted cooperation of all Jewish commercial interests being a *sine qua non* to such (sic) policy."

However, should the Arab states actively participate in the boycott "then the Jewish Agency will have to induce the Palestine Government to step in," since "any official boycott of Jewish goods on the part of an Arab state can be interpreted as an infringement of (a) the Charter of the U.N. and (b) the Trade Agreements between Palestine and her neighbors."²⁰ On the same day Nahum Tishbi, head of the Commerce and Industry Department of the Jewish Agency, wrote to Shenkar, giving the president of the Manufacturers' Association a brief history of the Arab boycott since 1931, and analyzing the legal situation. He divided the boycotters into three groups: the Arabs of Palestine, Transjordan and the rest of the members of the Arab League. "As to the Arabs of Palestine," he wrote, "there is no doubt that their (boycotting) activities are contrary to the law of the country. . . therefore, if the Palestine Government wishes to preserve peace in the country its most elementary duty is to publicly announce that it will not allow any incitement to boycott. . . and if the incitement will continue—then of course the government will have to take legal steps against the boycotters."

Jordan, Tishbi explained, was an integral part of the Mandate for Palestine (it gained independence only in 1946); therefore the Transjordanian government had no right to sign an international agreement with the other Arab states concerning the boycott. As to the other members of the Arab League, their action was contrary to the charter of the newly founded United Nations. Tishbi continued by complaining that too much was being written about the

boycott which gave the Arabs the impression that the Jews were afraid of it. Though he did not believe that a counter-boycott was advisable, Tishbi suggested that alternative sources for vital products should be sought. Finally, he suggested that the presidium of the Manufacturers' Association should appoint a standing committee to coordinate all the activities connected with the boycott.²¹

On 20 December 1945, Dr. Nathan Feinberg (who later became Israel's foremost authority on public international law), sent the Jewish Agency a handwritten analysis on the illegality of the boycott.²² Feinberg's legal arguments were used in a letter sent by Moshe Shertok, head of the Jewish Agency Political Department, to the U.N. on 4 January 1946.

"The Jewish Agency for Palestine," Shertok wrote, "begs to submit that (the) decision to wage an economic war against a section of the population of a neighboring country. . . is inconsistent with the purpose and the whole spirit of the U.N.O. The maintenance of international peace and harmony and the protection of the freedom of all peace-loving peoples to engage in all legitimate activities are of the very essence of the new world order." Shertok then invoked the Preamble of the U.N. charter, article 1(2) & (3), and articles 55 and 56. Shertok ended by stating that "The Jewish Agency begs to lodge an emphatic protest against the action taken by these five member States of the U.N.O. (Egypt, Iraq, Saudi Arabia, Syria and Lebanon). . . It is respectfully requested that this communication may be brought to the notice of all member states of the U.N.O."²³

Another letter was sent by Shenkar to John Shaw, Chief Secretary of the Government of Palestine, on 27 January, on behalf of the Jewish Chambers of Commerce, the industrial sector of the Histadrut, the agricultural center of the Histadrut, the Jewish Farmers' Association, and the Manufacturers' Association. This letter requested that the Administration should prohibit "the distribution of boycott leaflets and of all kinds of printed matter making propaganda for the boycott . . . (and) every other kind of boycott propaganda." If the government would not agree to take such measures, or should these measures fail, then various economic measures should be taken. Shenkar proposed that in the case of articles which were still regulated Jewish producers should not be forced to buy raw materials from Arabs for their manufacture, or sell them to Arabs.

With regards to the neighboring states Shenkar stated that the Syrian and Lebanese boycott declarations were contrary to their 1939 trade agreement with Palestine. In the case of the other Arab states a counter-boycott should be implemented with the cooperation of the Administration. Thus, for example "no import licenses for goods, originating in those countries or sold by them, should be issued, as far as such goods are produced in Palestine or can be dispensed with."²⁴

On 25 February 1946, Shaw wrote to Shertok, stating that "His Majesty's Government, as the Mandatory Government, disapproves of any discriminatory measures instituted by foreign governments adversely affecting the welfare of the Palestine population, irrespective of race or religion," and that "His Majesty's Government will take whatever steps they consider appropriate should the interests of the inhabitants of Palestine prove to be so affected."²⁵ On 14 March 1946 Shaw further advised the Jewish Agency Executive against a counter-boycott.²⁶ In London David Horowitz, Director of the Jewish Agency Economic Department, met with Sir Gerard Clauson, Assistant Under Secretary of State in the Colonial Office, on 22 May 1946, to discuss the boycott. Horowitz called for four courses of action against the boycott: to abrogate the commercial treaties with Syria and Lebanon who were in breach of the non-discrimination clauses in them; the use of dollar allocations by Britain to both Egypt and Syria to place pressure on these two states to lift the boycott; to revise the system of granting visas to citizens of the boycotting states wishing to visit Palestine for commercial purposes (since Jews were not allowed to visit Egypt or Iraq for such purposes); to grant licenses for the importation into the U.K. of goods produced by Palestinian Jews which used to be exported to Arab countries and were now boycotted.

Clauson pointed out in reply that the abrogation of the trade agreements with Syria and Lebanon might do more harm than good to the interests of Palestine, and that the use of dollar allocations for this purpose had been rejected. However, he promised that the latter two proposals would be examined.²⁷ The last three proposals were once again raised with Shaw by Bernard Joseph of the Jewish Agency Executive on 24 June in addition to a request that the Arab newspapers be warned to stop inciting the population to boycott the Jews, that Arab leaders be warned against making inciting speeches, that the violence against Arabs who did not wish to participate in the boycott be stopped, and that non-Palestinian Arabs visiting Palestine should be warned against the incitement of the local Arab population.²⁸ This letter was sent three days before all the members of the Jewish Agency Executive who happened to be in Palestine were detained by the authorities as a result of a wave of Jewish violence against the British forces. Under the circumstances it is not surprising that the British authorities were not in the least inclined to do anything about the Arab boycott.

Besides protesting and trying to get the Mandatory Government and British Government to act, a Committee for Economic Defense was set up, headed by Shenkar, with the participation of various Jewish economic factors and a representative of the Jewish Agency. The Committee, which was set up at the beginning of 1946, had three goals: to influence the Mandatory Government to do everything possible to put an end to the boycott; to prevent, as far as possible, the importation of goods produced in countries that are

members of the Arab League and boycott the Yishuv; to prevent the implementation of the boycott in Palestine.²⁹ In an undated report on the Committee's activities which was prepared in the beginning of 1947, it was admitted that little had been achieved in the first sphere, but that the issue had been brought to the attention of the international trade conference which was meeting in Geneva. In the second sphere the Committee concentrated on the importation of non-basic products, and between 1945 and 1946 such imports were cut by over 50%.³⁰ One of the problems with the implementation of a counter-boycott was that the Jewish population was not fully cooperative.³¹

In the third sphere the Committee concentrated its activities in the industrial field since a decision had been taken not to boycott local Arab agricultural produce. There were two reasons for this decision: first of all, there was the desire to try and keep the Palestinian fallah (farmer) out of the anti-Jewish front which the Arab League was trying to construct; and secondly, a desire to keep down the prices of agricultural products.

In the industrial sphere some temporary measures were taken vis-à-vis the Arab textile industry, and controls were placed on the sale of machines, tools and vital raw materials. However, the Committee was advised by the Jewish Agency to act with caution. Dr. Bernard Joseph and Eliezer Kaplan, the Treasurer of the Jewish Agency, informed the Committee on 29 May 1946, that inside the country the goal was to avoid bringing relations with the Arabs to a head and to blur the activities of the boycott so that when the time came an understanding could be reached with local Arab economic circles.³²

The Committee also tried to prevent certain American and British firms from moving their local agencies from the hands of Jews to Arabs as a result of the boycott. At the time that the report was published this activity was only beginning, and the Committee admitted that it required a lot of preparation and work in Britain and the U.S.³³

Despite all this apparent activity Yaacov Shimoni of the Jewish Agency Political Department (who was later to become one of most respected Orientalists in the Israeli Ministry of Foreign Affairs, and author of many books about the Arabs and the Arab-Israeli conflict) wrote a note on the boycott to the acting head of the Department, Golda Meyerson. In this note, dated 31 October 1946, Shimoni said that he sensed a certain complacency in the attitude of the leadership, which he found worrying since according to his calculations Jewish exports to the Arab countries had gone down from 25-26% of total exports in the first half of 1945 to 5% in the first half of 1946, and Jewish industrial exports had gone down in this period from 64% to 24-25%.³⁴

In his study on the history of Israeli industry Yossi Beilin concluded that "The boycott was perceived in this period as temporary, as something which the neighboring Arab states would not be able to keep up. Those who believed that the future of industry in Eretz Yisrael lay in the expansion of exports to

the countries of the Middle East could not reconcile themselves to a situation in which the markets of all the states in the region were closed to them. Reports on the failure of the Arab boycott were published from time to time in the press by the leaders of the economy."³⁵ Despite the boycott, and fears of a post-war economic slump the Jewish economy thrived in the 30 months from the end of World War II and the outbreak of the War of Independence in November 1947, even though exports declined. However, the decline in exports was attributed more to the sharp decline in sales to the Allied forces, and the renewal of exports by the European states, than to the boycott.³⁶

CONCLUSION

The boycott as it evolved before 1948 was clearly different from that which emerged after the establishment of the State of Israel. At this stage it was part of the Arab effort, at first sporadic—finally more systematic, to try to stifle the Zionist enterprise and prevent the emergence of a Jewish state in Palestine. Since the Jewish state was as yet only an embryo, the only way that the Jewish national institutions could act internationally against the boycott was through the British mandatory government, whose duty it was to protect the interests of all the inhabitants of Palestine—Jews and Arabs alike. The reaction of the British authorities to Jewish appeals that they take measures against the boycott was very similar to that which the State of Israel still comes across when it approaches foreign governments today. "Yes, the boycott is objectionable," they say, "and might even be illegal, but taking effective measures against it would be counter-productive and is certainly inconvenient."

Within the Yishuv the reaction was again similar to that which may be found inside Israel today—people are willing to protest and call for action as long as there is no immediate economic price to be paid. Undoubtedly, had the boycott been more effective and more painful, more vigorous action would have been taken to try to confront it. This was as true before 1948 as it has been since. Finally, there is the legal aspect of the problem, which was recognized before 1948 and has concerned policy makers since. Though the line of argument is similar—the Arab boycott is illegal because it contradicts non-discrimination clauses in international agreements—the emphasis before the establishment of the state was on discrimination against a particular population group within the country (i.e. the Jews in Palestine), rather than on discrimination against the state as a whole. The validity of the legal arguments raised was never examined in a court of law.

II. Muddling Through—1948-1960

The War of Independence brought about a complete separation between the Jewish and Arab economies in the country on the one hand, and between the Israeli economy and those of all the Arab states on the other. In 1949 the Arab League CBO was moved to Damascus and a permanent apparatus was set up to implement the boycott. The infamous questionnaires which were now presented to companies with which the Arab states did business, and black-lists of companies which had close business ties with Israel (though not companies which carried out "innocent" trade with it) originated in these early years.

In the first few years of Israel's existence, what with the monumental task of absorbing hundreds of thousands of new immigrants, and seeking external assistance to keep the economy afloat, the Arab boycott was not dealt with systematically. As is usually customary amongst states at war with each other, so Israeli citizens and foreign residents in Israel, were now prohibited from having any sort of contact, including economic, with the enemy without official approval. This, was as close as Israel got to implementing a counter-boycott policy then and since.

However, it wasn't long before the Arab boycott started to gain more attention. One of the indirect ways in which the issue came up was within the context of Israel's intensive activities concerning the right of Israeli ships and cargoes to pass through the Suez Canal. It was first brought to the U.N. Security Council by Israel's Ambassador to the U.N. Abba Eban, on 26 July 1951. As a result of this initiative Israel scored what proved to be little more than a declaratory victory when the Security Council passed a resolution on 1 September which *inter alia* stated "that the restrictions on the passage of goods through the Suez Canal to Israel ports are denying to nations at no time connected with the conflict in Palestine valuable supplies required for their economic reconstruction, and that these restrictions together with sanctions applied by Egypt to certain ships which have visited Israel ports represent unjustified interference with the rights of nations to navigate the seas and to trade freely with one another—including the Arab states and Israel."³⁷

However, soon it became apparent that the boycott was going to bite in other areas as well—especially in the sphere which came to be known as the secondary boycott (see footnote 11). One of the earliest cases of a foreign company giving in to the Arab boycott was that of the Dutch Philips which had opened a small subsidiary for manufacturing light bulbs in Natanya in 1950. In November 1952 Philips announced that it was closing down the plant, allegedly for commercial reasons.³⁸ However, the closure was followed by Philips being taken off the blacklist, and in January the CBO announced that "the representative of Philips in Damascus had declared that Philips had

officially promised the Arab states that its Israeli factory would not be reopened and its equipment would be transferred to an Arab state."³⁹ Though efforts were made by the Ministry of Commerce and Industry to dissuade Philips from leaving Israel, there was no denying that due to the economic situation the Natanya plant was unprofitable. Thus commercial and boycott considerations both played a role, and there was very little that the Israeli authorities could do.⁴⁰ 1952 was also the year of the Luxembourg Treaty, which included the Restitution Agreement between the Federal Republic of Germany and Israel. "The Arab League made no bones about the fact that, if the Luxembourg Treaty were ratified, they would impose a boycott against West Germany," Nicholas Balabkins, wrote in his study of the Agreement. Numerous German-sponsored "Middle East Societies" distributed a memorandum which supported the Arab argument that the intended payments to Israel would be helping an aggressor nation to build up its war potential for further aggression.⁴¹ According to Balabkins "The Jewish and Israeli diplomatic reaction to the Arab challenge was subtle. They pointed out that what Arab threats of economic sanctions against German goods overlooked was the economic weakness of all the Arab states. How could an Arab state which depended on the German market impose a boycott against the buyer? It was a joke without substance. At the same time, the Israelis admitted that the forthcoming German deliveries of capital goods would be of tremendous importance in their economic development, and that it was Israel's economic progress that the Arab states feared most. To assuage the Arabs, West Germany granted some Arab countries substantial sums for economic development."⁴² The Restitution Agreement was ratified by the Bundestag on 18 March 1953. In the early 1950s the Germans had greater need for the moral fig leaf of the Agreement than for Arab trade. Nevertheless, fear of the boycott and its possible consequences on German commercial and economic interests continues to play a role in West German Middle East policy to the present day.⁴³

The intensification of the boycott by the Arab states against foreign companies functioning in Israel led the Ministry of Foreign Affairs to set up a special desk within its Research Department to gather all available information on the boycott. Shmuel Ya'ari was appointed to this desk, which was set up in March 1953 and continued to exist until the late 1950s.⁴⁴ An inter-ministerial committee was also formed two months later under the Director General of the Ministry to coordinate the government's anti-boycott policy, but it met irregularly and did very little. In fact, it was the Ministry of Foreign Affairs' Economic Department, headed in these years by Moshe Bartur, which was most active on the issue in these years.

From the very beginning there were differences of opinion within the Ministry of Foreign Affairs as to whether Israel should take an aggressive

stand on the boycott, and especially on the question as to whether counter-boycott measures were desirable. Yaacov Shimoni (see above), for example, who now served as advisor in the Israeli Embassy in Washington, warned that those dealing with the boycott should not overestimate Israel economic power or its ability to contrive political plots. He added that one should also not lose sight of the fact that whereas the Arab approach was destructive, zealous and nonconstructive, Israel's strength lay in its wise, rational and constructive approach.

The line which was usually predominant in the Ministry in these years was that of the minimalists, though as in other periods the individuals dealing with the boycott could influence the policy one way or the other, and all sorts of proposals as to how Israel ought to deal with the issue, some bordering on the bizarre, were bandied around.

In the anti-boycott strategy devised in these years special attention was given to Egypt which was responsible in this period for 65% of all the Arab states' imports, and 70% of their total exports. Careful attention was also given to analyzing the tactics used by the Arab boycott authorities. For example, it was noted that the Arabs were placing the greatest pressure on companies least likely to resist, and then coming to the stronger companies with examples of their successes in an attempt to get them to give in to boycott demands as well. Shipping and airline companies were last on the target list. However, what worried the Israeli authorities most in this period was not the actual or potential economic damage to Israel of the boycott activities but the atmosphere of terror which the Arabs were trying to create around investment in Israel.

Though there were few illusions about the usefulness of raising the boycott issue in international forums, various international organizations were a major target for Israel's anti-boycott activity in this period. Thus, for example, the boycott issue was ineffectively raised by Israel's representative to the Second Committee of the U.N. General Assembly on 17 October 1955, but more as a general complaint than as a call for action. Greater hopes were attached to the success of direct approaches to foreign governments through diplomatic channels in connection with specific cases of companies from their countries giving in to boycott pressure. In fact, the three western powers were approached in October 1955 to do something about the "indirect boycott." The British Foreign Office responded by writing that the boycott was unjustified, but that the companies concerned must be left to decide for themselves how to react to the Arab boycott.⁴⁵ The Americans reacted similarly, though not in writing, while the French expressed their willingness to join any initiative against the boycott, as long as the other two powers were involved in it as well.⁴⁶

An example where action was successfully elicited from foreign governments involved the governments of Great Britain and the Netherlands. This occurred after the boycott office sent British and Dutch companies questionnaires asking for information on Jewish members on their boards of directors or among their stockholders. Through the chambers of commerce and industry in their respective countries the two governments advised the companies concerned not to answer such questions.

While it was realized that an effort would have to be made to protect the interests of foreign investors in Israel by keeping their identity as secret as possible, some efforts were also made to persuade American corporations to refrain from investments in the Arab countries and to obstruct Arab credit lines. However, what worried the Ministry of Foreign Affairs most of all was the fact that the Israeli press was serving the boycott apparatus by publishing details about proposed foreign investments in Israel. Besides trying to get the press to be more careful in their publications, the Investment Center in the Ministry of Commerce and Industry was approached. The result was that a circular was sent out by the Center in January 1954 to the managers of enterprises in which foreign capital was invested, to warn them against efforts by the boycott authorities to get foreign investors to withdraw their investments from Israel, and to suggest that the identity of the foreigners who had invested money in their companies be kept secret.⁴⁷ Nothing more was done by the Center on this issue.

The problem of the Suez Canal was, however, perceived as the most pressing problem requiring action, though it was realized that Israel had few allies abroad for such action. As Egypt started its moves to nationalise the Suez Canal in 1956 it also intensified its boycott activities against Israel, with shipping and airline companies as a special target.

Speaking before the U.N. Economic Commission for Europe in April 1956, Bartur informed the European states that "interference with the freedom of the seas, the air and trade in general in the form of blacklisting of ships which call at Israel ports, cancellation of commercial rights of European aviation companies, threats and discrimination against industrial and commercial firms dealing with Israel—all these have become established practices." Bartur stated that Israel's main complaint was that "one of the most disturbing aspects of this intolerable situation lies in the compliance of some countries with the arbitrary rules and regulations laid down by the organizers of this peculiar form of economic aggression. Experience has shown that the companies affected cannot always count on the protection of their rights by their governments. There have been cases where certain western European governments have actually advised shipping, air, and trading companies to submit to these illegal practices." Bartur argued that "whoever cooperates

passively or actively with acts of aggression, economic or otherwise, makes himself willingly or unwillingly a partner to these very acts. Acquiescence with these practices does not only seem indefensible morally, but it will prove certainly also a rather short-sighted attitude which will doubtless invite additional pressures. On the other hand, there can be no doubt that concerted noncompliance with measures of economic warfare by the major shipping, aviation, and trading companies, backed by their respective governments, could easily thwart this conspiracy in restraint of trade, thereby reducing tension and assisting in creating conditions which would sooner or later lead to normal relations between Israel and her neighbors."⁴⁸

The novelty in Bartur's presentation within a forum which included both West and East European states, was the attempt to place the boycott issue within the context of the efforts by several West European states to break the trade boycott declared by the West on the East bloc. Bartur's intention was to impress both the West and East European states that one cannot condemn one boycott while tacitly giving approval to another.

The boycott issue was also raised in two additional international forums: the International Chambers of Commerce (ICC) Congress, which convened in Paris and was on the whole sympathetic to the Israeli point of view,⁴⁹ and the International Civil Aviation Organization (ICAO) which convened in June 1956 in Caracas, but did not adopt any resolution on the issue.

In addition to raising the boycott issue in international organizations the Ministry of Foreign Affairs also decided to involve various Jewish organizations abroad. In order to mobilize world Jewry to the struggle against the boycott. One of the specific ideas was to get the Jews to organize a worldwide boycott of Egyptian cotton.

This Jewish activity involved establishing an apparatus in the U.S. to be directed by the Israeli economic consul in New York,⁵⁰ and a department for anti-boycott warfare within the Secretariat of the World Jewish Congress (WJC) in London, under the guidance of the Israeli Embassy there.

The issue was also raised at the 24th Zionist Congress, which convened in Jerusalem from 24 April to 7 May 1956. The initiative came from the Ministry of Foreign Affairs which was interested in having the Jewish Agency Executive allocate funds for the anti-boycott activities.

The Political Committee of the Congress drafted a resolution for the approval of the plenary which, after denouncing Arab economic aggression, called upon the Zionist Executive to take "all the necessary measures to withstand and fight against the forces of destruction and hatred which undermine the peaceful relations among the nations of the world."⁵¹

The representatives of Herut-Hazahar to the Congress objected to this vague wording and suggested that this paragraph should read: "Therefore, the Congress resolves to instruct the Zionist Executive to establish throughout

the world committees for the active economic defense of Israel, to act against the Arab hostile acts." Speaking in the name of the majority Dr. Shneur Levenberg of Great Britain explained that there had been a major debate on ways to combat the boycott, and that all the parties except Herut-Hazahar had agreed that "we don't have to inform the Arab world what we intend to do in order to fight against the Arab boycott. . . That does not mean that we do not want to take concrete measures against the Arab boycott."⁵²

On 5 June 1956 the Zionist Executive requested that the External Relations Department of the Jewish Agency, headed by Meir Grossman (General Zionists), consult with the Ministry of Foreign Affairs on ways and means to combat the boycott.⁵³

At the end of August 1956, the President of the the Jerusalem Chamber of Commerce, Menashe Eliashar, went on a mission to Europe to try to persuade the members of the national and bi-national chambers of commerce to support a Dutch anti-boycott resolution which was about to be raised at a meeting of the ICC in Munich in October. The visit was coordinated with the Ministry of Foreign Affairs and was partially financed by the Jewish Agency. Reporting on Eliashar's trip Grossman wrote, on 15 October 1956, that one could conclude that while the Europeans objected to the boycott on principle, especially since it involved racial discrimination, they were concerned about the fate of their investments and business in the Arab countries, and that they feared political complications, resulting from the fact that the superpowers seemed averse to take any real measures against the boycott.

Grossman also reported that David Horowitz, then Governor of the Bank of Israel, had promised to ask various American banks to persuade the President of TWA, who was to represent the American Chambers of Commerce at the ICC meeting, to support the Dutch resolution. In fact, the ICC Council adopted a resolution which denounced discrimination in international trade based on racial or religious reasons.⁵⁴

In a circular dated 2 January 1957 Grossman wrote that all the Zionist Federations abroad had been requested to make public the decision of the the Zionist Congress to combat the Arab boycott and emphasize the latter's racial and religious nature. The boycott was presented as a manifestation of the Arabs' opposition to western principles in general and the idea of a productive society in particular. It was argued that their motives were "strangely oblivious to rational economic considerations."⁵⁵ Half a year later, in a memorandum dated 10 July 1957, Grossman admitted that the response of the Zionist Federations had been disappointing.⁵⁶

On 3 June 1957 the Arab League Economic Council decided to intensify the boycott against Israel. Soon thereafter the Shell Oil Company of Palestine announced its intention to give up its marketing interests in Israel, and to sell the Haifa oil refinery which it owned jointly with British Petroleum—an

announcement prompted by Arab boycott pressure.⁵⁷ Once again there was nothing Israel could do about the decision of the British-owned companies. Bartur commented in a talk to the Israel-Britain Chamber of Commerce on 19 August that "The Government of Israel has always been of the opinion that whoever yields to the pressure of economic aggression makes common cause, whether willingly or unwillingly, with the aggressor."⁵⁸

As a result of the intensified activity of the Arab boycott an anti-boycott committee was set up in the middle of August, with a lot of fanfare. The participants in this new committee were Grossman (representing the Jewish Agency), Bartur (representing the Ministry of Foreign Affairs), and representatives of private industry, agriculture and commerce and other branches represented in the Histadrut.

The Histadrut daily *Davar* had the following to say about the new committee: "After a long period of preparation the first practical steps are being taken to organize the war against the Arab boycott. . . and a committee is being established which will be attached to the Jewish Agency. The first plan which is being thoroughly examined is the organization of a boycott against the products of Shell in various countries, and especially the U.S., in order to prevent other companies from following it. . . The supreme committee (which is to be formed) will be attached to the External Relations Department of the Jewish Agency. . . The committee will not have a special apparatus, and it will be a body which plans and activates the institutions and organizations which will be represented in it.

"The permanent task of the committee will be to collect information in the country and abroad on the activities of the Arab boycott throughout the world, and the investigation of the possibilities for immediate counter-action in each individual case. So far there has been total neglect (of this issue), and there were even cases of attempts to avoid giving information on what is going on in this sphere by various companies and enterprises in the country which have come across manifestations of the Arab boycott. The Committee will also try to take legal action against foreign companies which have given in to the boycott.

"On the one hand model cases will be brought against boycott activities which constitute a breach of existing laws, such as racial and religious discrimination in the industrial sphere, and the attempt (by the boycotting states) to obtain information (about companies) which in Switzerland, for example, is considered a felony under the espionage law. Efforts will also be made to call upon the Jews throughout the world to boycott the products and services of those companies which have given in to the Arab boycott. These activities will be carried out in secret or publicly, depending on the circumstances."⁵⁹

The report in the independent *Ha'aretz* added some additional dimensions to the issue. "Discussions are also being held on the establishment of a supreme inter-departmental coordinating institution, and perhaps even a counter-boycott office, though in the opinion of most of the observers it is unlikely that a decision will be taken on such a step since most of the economic and political factors are inclined to be satisfied with the activities of the Committee", the political correspondent of *Ha'aretz* wrote.

"Many arguments have recently been expressed against the institution of a counter-boycott, since many believe that such a move could cause difficulties and complications in the relations between Israel and many Jewish communities in the Diaspora. On the other hand, those who support the idea argue that it has been proven that most of the initiative for investigating the problem has come from Diaspora Jewry, as also became apparent in the discussion in the Zionist Executive. . . In the meantime it has been reported that the U.S. continues to object to the boycott problem being raised in the next session of the U.N. General Assembly, and especially in the Economic Commission, since the U.S. Government itself has been implementing similar boycott steps against the People's Republic of China. Israel is considering approaching the U.S. to convince it that her preventing the U.N. from dealing with the issue will create a moral obligation on her part to help Israel overcome the boycott and its consequences, especially amongst the non-Arab states in the Middle East and South Asia."⁶⁰

Ha'boker was the only paper which gave the issue a political slant, and since it was the daily of the General Zionists, the party to which Grossman belonged, it may be assumed that it reflected his views. "A great miracle has happened in Israel," Nahum Vilensky wrote in *Ha'boker*, "The Ministry of Foreign Affairs has given up one of its important powers in favour of the Jewish Agency. . . In the current conditions, where the cart is stuck deep in the mud as a result of the inefficiency of the Ministry of Foreign Affairs for many years,⁶¹ the Jewish Agency has only one alternative, which is to organize a counter-boycott in cooperation with Jewish organizations in the Diaspora."⁶² The first indication that the mountain would give birth to a mouse came after the Committee's first meeting on 4 September, which decided that a counter-boycott should not be organized, either by the Government or the Jewish Agency.⁶³ In fact, the Committee stopped functioning sometime in the course of 1958.⁶⁴ In addition to the Jewish Agency committee a subcommittee was set up around this time within the framework of the Knesset Foreign Affairs and Security Committee, to deal with the boycott,⁶⁵ and this after Foreign Minister Golda Meir and Moshe Bartur had participated in a debate in the Knesset Committee on the issue.⁶⁶

In April 1959 it was the Director General of the Ministry of Commerce and Industry, Michael Tsur, who encouraged the Tel-Aviv-Jaffa Chamber of

Commerce once again to raise the boycott issue at the forthcoming ICC Congress.⁶⁷

CONCLUSION

The Arab boycott did not immediately gain systematic attention from the Israeli authorities. When it did, it was first of all over a problem connected to the primary boycott—namely the question of Israel's right of passage through the Suez Canal. Next Israel became concerned with the problem of foreign companies and investors in Israel who came under Arab pressure to leave Israel, and towards the end of the 1950s with the problem of Arab pressure on shipping and airline companies to refrain from stopping over on Israeli territory.

While the Ministry of Commerce and Industry was involved in trying to deal with the problem of foreign companies and investors pulling out of Israel, it was primarily the Ministry of Foreign Affairs which assumed responsibility for boycott related issues, involving approaches to foreign governments and international organizations. Since the UN was not yet considered a *prima facie* anti-Israeli forum, the boycott issue was frequently raised by Israel in its various bodies and agencies in these years—to little practical avail.

By the second half of the 1950s the focus was moved to non-governmental international organizations dealing with trade and transport. Here, in these years, there was occasionally greater responsiveness to Israeli demands for concrete action. However, by the late 50s it became increasingly apparent that the Arab boycott was not a transient phenomenon which would gradually disappear, but one which would linger on with changing emphases and varying manifestations.

It was against this background that the first institutionalized effort was made to involve world Jewry in efforts to counter the boycott, by associating the WZO in the policy making process. While the involvement of world Jewry in the issue did in fact grow in the following decades, it soon became apparent that it was not the WZO but rather the national Jewish organizations, primarily those in the US, which were the appropriate address.

III. Institutionalization—1960-1973

At the end of 1959 Golda Meir finally decided to set up a special department within the Ministry of Foreign Affairs to deal with the boycott issue. This decision resulted from two significant developments. One was the Egyptian seizure of an Israeli bound cargo on board the Danish ship the "Inge Toft" on 21 May 1959,⁶⁸ followed by intensive but unsuccessful Israeli diplomatic activity to stop the Egyptian application of the boycott to ships passing through the Suez Canal.

In the process of this campaign U.N. Secretary General Dag Hammarskjöld was approached and on 24 September 1959, Golda Meir raised the issue in the U.N. General Assembly.⁶⁹ Mrs. Meir gave a detailed account of the whole affair in the Knesset on 23 May 1960 commenting that "The blocking by the U.A.R. (the United Arab Republic—the short-lived union between Egypt and Syria) of the Suez canal and the black list (of about 400 ships from some 30 states) are only part of the boycott policy of Egypt and the Arab League against Israel. This policy is contrary to the U.N. Charter, and the time might have come to raise the whole issue before the U.N. institutions."⁷⁰

The second development leading up to the decision to set up the new department was the submission of Renault, the French state owned automobile manufacturer, to the boycott in August 1959. Renault was blacklisted because it had entered into a contract with the Israeli firm of Kaiser-Frazer to assemble 2,400 cars in Israel over an eighteen-month period. After 800 had been assembled, Renault gave in to Arab pressure and refused to complete the contract.⁷¹

The new department, called *Matmach*—acronym for *mahlaka letichnun medini vekalkali* (department for political and economic planning)—was set up on 14 January 1960, and its first director was Aluf (Res.) David Shaltiel.

The following week, on 20 January, in reply to a motion for the agenda tabled by Knesset member Peretz Bernstein (General Zionists) who complained about the apparent failure of the government's efforts to counter the Arab boycott, Prime Minister David Ben Gurion announced that the new department was working out a strategy which would be brought to the Knesset Foreign Affairs and Security Committee in due course. However, Ben Gurion expressed his personal opinion that "if it is necessary to do anything against the Arab boycott, it is not only the State of Israel which should act. In Israel there are only two million people, and there is very little which they can do against a league of nations which represents 70 to 80 million people. Thus one must act primarily through others."⁷²

As stated in the previous chapter, the Committee set up in 1957 within the Jewish Agency to deal with the Arab boycott, ceased to function in 1958,

though the External Relations Department of the Jewish Agency continued to dabble with the issue until the beginning of 1961 when Meir Grossman retired. One of the reasons for the Committee's demise was the differences of opinion between the Ministry of Foreign Affairs and the External Relations Department of the Jewish Agency, as these emerged during a debate on the issue in the Political Committee of the 25th Zionist Congress in which Shaltiel participated.⁷³ After the Congress (which was convened from 27 December 1960 to 11 January 1961) Grossman prepared a memorandum which described these differences. Shaltiel's position had been:

- a) The policy of the Ministry of Foreign Affairs on this issue is to act quietly, in "underground" conditions, and by using those bodies and personalities whom the Ministry of Foreign Affairs may see fit to use in an ad hoc manner.
- b) The Ministry of Foreign Affairs does not favor a counter-boycott or noisy propaganda, which in its opinion can only cause material and political harm to Israel.
- c) The policy of the Ministry of Foreign Affairs is to act in whatever way suits it, and Mr. Shaltiel merely implements this policy. He does not dictate it and is not in a position to discuss with anybody what is positive or negative in this policy.

The policy of the External Relations Department, on the other hand had been:

- a) The establishment of a public committee made up of representatives of the Department, the Ministry of Foreign Affairs, the Ministry of Commerce and Industry, the Chambers of Commerce, the Histadrut etc. (In 1957) the Minister of Foreign Affairs (Golda Meir) had agreed that the Department would coordinate this activity.
- b) Any action carried out in the country or abroad should take place with the utmost care of preserving the rules of secrecy.
- c) Abroad, the Department sought to coordinate the anti-Arab boycott activity with the international Jewish organizations, the national organizations and the Zionist Federations.⁷⁴

The Jewish Agency did not put up a fight to continue to coordinate the boycott issue, especially since de facto it was not in control in any case. Of those who spoke at the 25th Zionist Congress, Menachem Begin (Herut) was the only one who continued to argue that the WZO was the right framework for dealing with the issue.⁷⁵

The Congress expressed its acceptance of the situation by stating in resolution No 11 that "The Congress instructs the Executive to take appropriate measures of war against the Arab boycott and recommends coordination with all the factors functioning in this sphere."⁷⁶ From the very beginning the *Matmach* confronted a paradox, which to a certain extent continues to bedevil the Israeli anti-boycott policy to the present day. On the one hand Israel did not want to create the impression that the Arab boycott was more than a minor nuisance by giving publicity to its successes. On the other hand one could not disregard the real damage and dislocation which the boycott was causing and

is still causing the Israeli economy. One of Shaltiel's main contributions to the anti-boycott operation was the preparation of a pamphlet describing the boycott and the way it worked.⁷⁷ It was in this period that the Norwich Union Insurance Company in Britain gave in to Arab League pressure, and forced a Jewish member of its Board, Lord Mancroft, to resign. Like many other boycott cases before and after, this one had anti-Semitic undertones. This was, in fact, the first case in which the Israeli authorities actually opened a major public campaign abroad—including a press campaign—against the boycott.

These efforts resulted in Lord Mancroft being invited by the Norwich Insurance Company to rejoin its board—an invitation which he declined. They also resulted in the (Conservative) British Foreign Secretary, Richard Austen Butler, informing the Arab Ambassadors in London that the British government "strongly resented pressure on British firms to discriminate on any grounds among their British staff," and that it also "strongly disapproved of action by the Arab Embassies in London designed to bring pressure on British firms to comply with the boycott."⁷⁸

One new problem which Israel had to confront in this period was a drive by the CBO to get the states of Latin America to sever their economic ties with Israel,⁷⁹ and to persuade the newly independent African states to join the boycott in solidarity with the Arab states.⁸⁰

It was at this time that Efraim Eilon, Shaltiel's right hand man, proposed that the boycott be viewed as a form of economic warfare which should be answered in kind—in other words, that Israel should try to hurt the Arab economies wherever possible, especially that of Egypt.⁸¹

To this purpose he cooperated with the Army Intelligence Branch on several operations. However, when after several months he attempted to get official approval from the Ministry for these subversive operations, he was instructed to stop.

Most of the anti-boycott work in this period was carried out in the U.S., not in Israel. According to Efraim Eilon the activity in the U.S. was designed to demonstrate that the boycott was nothing but a soap bubble. This was not how it was seen by those who were in charge of the operation in the U.S.

The first representative of the *Matmach* in the U.S., Shlomo Argov,⁸² also served as Political Consul in the Israeli Embassy in Washington, so that the time he could devote to boycott matters was limited. In June 1962 Argov was replaced by Binyamin Navon who, unlike his predecessor, was exclusively engaged with the Arab boycott, and was based in New York.⁸³

Navon recalls that he received a lot of paper about the boycott from Jerusalem, but that it could hardly be referred to as "economic warfare." On the one occasion that he tried to get a major American Jewish cotton dealer to stop trading with Egypt he was brushed off with the words: "Mind your own business." After a futile attempt to get the Ministry in Jerusalem to define

his exact duties, Navon defined them for himself: "not economic warfare but a struggle against the boycott."

One form of activity in which Navon chose to engage was an attempt to get American companies to invest in Israel, even if their activity was not vital for the Israeli economy. One case which he started to deal with which eventually bore fruit was that of Coca-Cola.⁸⁴

Another near success story was actually obstructed in Israel. It concerned Mack, the American truck manufacturers, who was willing to open a subsidiary in Israel without all the benefits offered by the Investment Authority. The deal never came through because of pressure put on the Israeli authorities by British Leyland which had a subsidiary in Ashdod. The irony of the story was that ten years later British Leyland itself gave in to boycott pressure and closed down its Israeli operation.⁸⁵

Navon's greatest efforts were invested in trying to do something about the tertiary boycott, which he argued was illegal in the U.S. on the basis of the 1870 Sherman Antitrust Act. One case which he started to deal with involved an American firm called Tecumseh which manufactured 80% of the compressors used for refrigerators and air-conditioners. For many years Tecumseh worked with the Israeli firm of Amcor without a contract, then a contract was finally signed. Following the conclusion of the contract Philco, a subsidiary of Ford, and another American firm started to press Tecumseh to cancel its contract with Amcor. Tecumseh decided to return to its original arrangement with Amcor, i.e., to work without a contract. Navon met with the president of Ford who did not conceal the boycott-related facts from him. On the basis of this information, and in consultation with experts on the American anti-trust laws, Navon pressed to have the issue taken to court.

However, the Israeli Ambassador to Washington, Abe Harman, told him to drop the issue since it was liable to anger the State Department. Navon then raised the issue in a conversation with Gideon Rafael, Deputy Director General of the Ministry of Foreign Affairs, who promised to bring it to the attention of the top level in the Ministry. Navon never received a reply. One might add that the Sherman Antitrust Act, which was not originally perceived as a means for combatting international boycotts against friendly states, was invoked in January 1976 by the U.S. Department of Justice in "a civil anti-trust suit against a group of five Bechtel corporations who as of 1971 had refused to do business with American companies named on the various Arab boycott blacklists."⁸⁶

It was not only the Ministry of Foreign Affairs which did not cooperate with Navon's initiatives, but the Ministry of Commerce and Industry as well. Navon felt that the least the purchasing mission of the Ministry of Commerce and Industry, which purchased tens of millions of dollars worth of goods in the U.S., could do was to avoid purchasing from companies which cooperated with

the boycott. It did nothing of the sort. The same applied to the purchasing mission of the Ministry of Defence.

While Navon found Jerusalem uncooperative, close cooperation started to develop with various American Jewish organizations in the U.S.—especially the Anti-Defamation League of B'nei B'rith (ADL), the American Jewish Committee, the American Jewish Congress,⁸⁷ and the organization of Jewish War Veterans. On one occasion when a major American cigarette manufacturer refused to sell to Israel the war veterans went out and placed “out of order” signs on its vending machines all over the U.S.

While formally the boycott issue was now in the hands of the Ministry of Foreign Affairs, the Ministry of Finance also became increasingly involved in boycott questions in this period. Following the 1960 first Economic Conference, and the decision to embark on a drive to encourage foreign (especially American) investment in Israel, the Investment Authority was set up within the framework of the Ministry of Finance.⁸⁸ Dr. Zevi Dinstein was made head of the new authority and of the existing Investment Center in the Ministry of Commerce and Industry. During the next few years all the major corporations in the U.S. were approached, and thus for the first time a more or less complete picture emerged concerning the submission of American companies to the Arab boycott.

Israel did not try to change companies which stated unequivocally that they would not establish any economic ties with Israel because of their ties in the Arab world. However, many companies stated that they would not mind coming to Israel on condition that the American government would offer them some protection against the Arab boycott. According to Dinstein, approaches to the American administration were not received very sympathetically, and the Israeli representatives were told that Israel seemed to be coping very well with the boycott without outside help. Since getting the Americans to sell her Skyhawks was higher in Israel's scale of priorities than getting wary American investors to come to Israel,⁸⁹ the administration was not pressed on the boycott issue. Nevertheless, independently of Israeli activities, the boycott issue started to receive greater attention in the U.S. as of 1960. The main reason for this development was that a large number of American ships were blacklisted in this period by the U.A.R. On 28 April 1960 the Senate approved the Douglas Keating anti-Arab boycott declaration, which specified that mutual security and surplus food assistance could be administered by the President in line with the principles of free navigation and non-discrimination⁹⁰—in other words, to punish the Arab boycotters. An attempt by Senator James William Fulbright, chairman of the Senate Foreign Relations Committee, to modify the declaration failed. Fulbright did however manage to get the Senate to drop an anti-boycott clause from the Mutual Security Bill passed at the end of June the following year,⁹¹ and it was only in 1965 that the first piece of anti-boycott legislation was pushed through Congress (see below).

In 1964 *Matmach* was taken over by Avigdor Dagan.⁹² Dagan tried to turn the department into a policy planning board on the American model, but failed. This failure, Dagan himself believes, was due to the fact that the Ministry of Foreign Affairs had little appreciation for economic issues, and because Pinhas Sapir, who was both Minister of Finance and Minister of Commerce and Industry at the time, did not want the Ministry of Foreign Affairs to dabble in such issues.

While Dagan did not succeed in upgrading the department, he admits that he was able to do as he saw fit and that he did not usually consult his superiors. His strategy was to act primarily in cases of foreign companies which had given in to the boycott but were not particularly important to Israel. In January 1965 it was announced that the products of firms complying with Arab demands were to be subject to discriminatory treatment in Israel.⁹³ On 27 January Knesset member Arie Altman (Herut) tabled a motion for the agenda in which he questioned the government's policy to fight the boycott by means of quiet diplomacy. "One should stop the defensive approach in dealing with the boycott and go over to a counterattack" he argued. "Had we broken the Arab boycott in the world when it first began, we would have avoided many other troubles. But the way we dealt with the issue encouraged the Arabs to embark on other activities."⁹⁴

Deputy Prime Minister Abba Eban replied, pointing out that Israel had scored successes with individual companies, as in the case of the American company Goodyear (see below), while various governments had denounced the Arab boycott.⁹⁵ Eban pointed out that the way to "uproot this poisonous thorn from the ground of international relations" is by means of legislation, citing legislative activity in the U.S. as an example. His conclusion: "The activities of the Government of Israel in this direction have not failed and will not fail. They must be intensified and they will be intensified." He added that within several days a list of foreign companies which cooperated with the boycott would be published, and special permits would be required to import their goods.⁹⁶

On 1 February such a list was actually published by the Ministry of Commerce and Industry. It included Allgemeine Elektrizität Gesellschaft, Siemens AG, and Imperial Rundfunk und Fremdwerk of Germany, Pye Ltd. of Britain, Hitachi Ltd and Matsushita Electric Company of Japan. Several other companies which were to have been included, were taken off the list after providing proof that they were not boycotting Israel.⁹⁷

Eban denied that the publication of the list was a counter boycott. "The Government of Israel, of course, does not boycott companies that maintain commercial relations with Arab countries," he wrote in the 1966 Israel Yearbook. "But Israeli importers are entitled to know the identity of companies that discriminate against Israel in compliance with the Arab boycott."⁹⁸ At the Fourth International Convention of Bi-National Chambers of Com-

merce with Israel, which took place in 1965, Dagan declared that "Israel is not organizing a counter boycott. . . We oppose trade boycotts both on legal and moral grounds."⁹⁹

One of the specific cases at this time, which involved getting a foreign company to stop boycotting Israel, was that of the German company Grundig. Grundig used to sell in Israel through intermediaries because of the boycott. The authorities in Israel refused to be flexible and Grundig ended up making a public statement against the boycott.

While *Matmach* had the cooperation of the Ministry of Commerce and Industry in dealing with cases involving foreign companies whose products were not of vital importance to Israel, in the case of companies which had given in to the boycott but were economically or strategically important to Israel *Matmach* cooperated with the Investment Authority at the Ministry of Finance. Motorola was one such company which was given various concessions in order to get it to open a subsidiary in Israel even though it had cooperated with the boycott.

Dagan recalls that his department supplied the press in this period with a good deal of information concerning boycott cases. He also recalls appearing on at least four separate occasions before the Knesset Foreign Affairs and Security Committee, and that Minister of Foreign Affairs Golda Meir accompanied him. There were also occasional meetings with all the Israeli trade attaches abroad.

Not long before he left the *Matmach* Dagan publically stated that "The Arab boycott has been allowed to gain ground because for a long time our policy in this respect was somewhat schizophrenic. On the one hand, we were interested that the world should know what the boycott really is and how empty are its threats; on the other hand, we were influenced by a school of thought which claimed that the boycott could not really cause us any serious harm and, therefore, the less we spoke about it the better, since publicizing it would only increase its importance in the eyes of the business world. We have now overcome this schizophrenia."¹⁰⁰

In the U.S. Navon was replaced by Yuval Elizur, a journalist by profession who became interested in the issue of the Arab boycott and the question of oil, and was instrumental in getting the authorities to set up the Economic Warfare Authority in the Ministry of Finance after the Yom Kippur War.

Elizur served as the *Matmach* representative in New York in the years 1964-66.¹⁰¹ Instead of being subject to the Israeli Consulate he was attached to the Economic Mission in New York, since it was the Ministry of Finance which became active in the anti-boycott struggle in the U.S.

The *cause célèbre* at this time was the case of the U.S. tire manufacturer Goodyear which gave in to the Arab boycott and refused to supply its products to Israel. Israel waged a public campaign against the American company, and soon Goodyear gave in, fearing to lose much of its home market as a result of

Jewish pressure.¹⁰² In 1966 Ford, which had been accused of anti-Semitism in its employment policy, decided to establish an assembly plant in Israel where there was an economic slump. Coca-Cola was also pushed into giving an Israeli company a concession to bottle Coca-Cola in Israel. While several successes were scored on the individual company level, there were some in the Ministry of Foreign Affairs who felt that these were frequently empty victories.¹⁰³ They pointed out that while one could wave the Coca-Cola story as a success, the more significant consequence was that Pepsi-Cola was given a monopoly in the Arab world on a silver platter. What was more important, they argued, was to involve companies which the Arabs would be most unlikely to want to dispense with. Such an example was that of the Hilton Hotels Corporation which refused to give in to the Arab boycott and abandon plans to build a hotel in Tel-Aviv in the early 1960s. That Hilton did not lose out may be demonstrated by the rather piquant comment made in Prittie and Nelson's book on the boycott to the effect that "the September 1974 Arab Summit Conference, held in Rabat, took place in the Hilton hotel of that city."¹⁰⁴

However, the most interesting development during this period was in the sphere of legislation in which Elizur and the American Jewish organizations were involved, this time with the blessing of the Israeli Ambassador, Abe Harman. The idea was to have a law passed by Congress which would call upon American companies to report any approach by the Arab boycott authorities. The campaign in favour of this legislation included the publication of a detailed report on the Arab boycott by the ADL. The report described the boycott's activities in the U.S., and emphasized that several European governments, including those of the Netherlands, Belgium, Italy, Switzerland and France, had publicly denounced the boycott¹⁰⁵ (it did not state that none of these governments had taken any concrete measures against the boycott).

The legislation was pushed through with the cooperation of both Democratic and Republican Congressmen, and an anti-boycott amendment to the Export Administration Act (EAA) was passed, despite the opposition of the State Department, which in the years 1960-65 had actually permitted the authentication of certain boycott related documents.¹⁰⁶

The 1965 amendment to the EAA, which had been proposed by Senators Harrison A. Williams and Jacob Javits, required all American exporters to report to the Commerce Department the receipt and nature of any boycott-related request which had the effect of furthering or supporting the Arab boycott.

At the same time Section 3(5) of the EAA was passed stating that: "It is the policy of the U.S. to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the U.S., and to encourage and request domestic concerns engaged in the export of articles, materials, supplies, or information to refuse to take any action, including the

furnishing of information or the signing of agreements, which has the effect of furthering or supporting restrictive trade practices or boycotts fostered or imposed by any foreign countries against any country friendly to the U.S.”¹⁰⁷ Though the pre-Six Day War economic slump in Israel led some observers to believe that Israel was losing ground in the economic race,¹⁰⁸ in the aftermath of the war Israel's economic prospects greatly improved, and until October 1973 the focus of attention was directed towards fighting manifestations of Palestinian terrorism rather than the Arab boycott. Nevertheless, from time to time the boycott did gain attention. Thus in 1970, when the General Agreement on Tariffs and Trade was on the agenda, Israel brought up the Egyptian practice of blacklisting foreign companies which had dealings with Israel, and requesting negative certificates of origin¹⁰⁹ as contravening article XI of GATT.¹¹⁰ Though Israel's argument was supported by a number of member states, Egypt invoked article XXXV in the agreement which stipulates that the GATT shall not apply as between one contracting party and any other contracting party if upon accession to the agreement the former announces that it refuses such application as between the two.¹¹¹

Boycott cases continued to be reported occasionally in the press, frequently followed by parliamentary questions which were customarily answered by the Minister of Foreign Affairs, Abba Eban. Eban was inclined to give evasive answers, such as that which he gave Knesset member Yosef Tamir (Liberal Party) on 25 November 1970: “It is not in our interest to go into details and reveal the methods and ways of action by a handful of our people who confront the wide network of the boycott offices which exist in all the Arab states and are assisted by branches in the Arab League offices and Arab embassies in the world capitals.”¹¹²

On 4 June 1971, Eban admitted in reply to a parliamentary question by Knesset member Yehuda Ben-Meir (National Religious Party), that the Ministry of Foreign Affairs was concerned about the content of the agreements to be signed by the European Community with Egypt and Lebanon. “For many months,” he said, “the Ministry of Foreign Affairs has been acting to prevent the European Economic Community from signing a document which might, even indirectly, be interpreted as approval of the Arab boycott. For the time being our activities have been successful, but the campaign continues and will continue, and one cannot predict the result.”¹¹³

The last director of the *Matmach* was Yehuda Nassi,¹¹⁴ who took over in 1971 and served in this post until just before the Yom Kippur War.¹¹⁵ Nassi recalled that the department, which had a staff of four, continued to deal with specific cases, and tried to influence the conduct of foreign companies through Jewish members on their boards of directors. An effort was also made to influence the official organizations in various countries responsible for insuring foreign trade risks not to underwrite contracts which included boycott provisions.

In 1973 the *Matmach* was abolished as a separate department in the Ministry of Foreign Affairs, and the boycott issue was returned to the Economic Department where it was once again dealt with by Shmuel Ya'ari.¹¹⁶ There was no specific event which prompted this decision which was primarily administrative by nature. According to Nassi there was a widespread feeling that the efforts to combat the boycott were not worth while since Israel was doing very well economically despite the boycott, and in any case there was very little which one could do. The then Director General of the Ministry of Finance, Avraham Agmon, was one of those who voiced such views. One must recall that these were still years in which Israel's main argument when trying to convince foreign companies not to give in to the boycott was that Israel's purchasing power was as great as that of the Arab states. The Yom Kippur War and the first Energy Crisis changed all of this, and Avraham Agmon was one of those who brought about the upheaval in the Government's official attitude.

CONCLUSION

Two features characterized Israel's anti-boycott activities in the 1960s. The first was the concentration of all these activities in a single department in the Ministry of Foreign Affairs—the Department for Political and Economic Planning. The second was the shifting of the focus of these activities abroad—primarily to the U.S.

If there were any lingering illusions about a counter-boycott, they were soon dissipated. The institutionalization of Israel's anti-boycott policy channeled the anti-boycott activities into a routine in which spectacular activity was the exception rather than the rule. While a special department was assigned the task of dealing with the boycott, it was not an important and prestigious department. Those who ran it enjoyed a fair amount of autonomy, as long as they did not require the active support and cooperation of their superiors. Thus, Israel's anti-boycott activities were affected by the personalities of those who happened to be in charge of this department and its agents, to a greater extent than by any clear policy dictated from above. The main concern was to stop foreign companies giving in to the boycott. While in the 50s the most spectacular cases had to do with trying to stop foreign companies with investments in Israel from leaving, now an effort was made to convince foreign companies to invest in Israel, or companies with established commercial contacts with Israel not to give in to boycott pressures. Most of the effort was concentrated in the U.S. where an Israeli representative was appointed to deal exclusively with boycott related issues in cooperation with the American Jewish organizations. For the first time legal action against American

companies which had given in to the boycott was considered, as was the possibility of getting Congress to pass anti-boycott resolutions and legislation. These early efforts were to bear fruit in the 1970s.

It should be noted that except for the pre-Six Day War slump the Israeli economy still enjoyed a high rate of real annual growth, and the boycott was viewed as little more than a marginal nuisance. Getting companies like Coca-Cola to come to Israel was thus of greater psychological than economic importance.

IV. The Charge Forward—1974-1979

The oil crisis and the threat by the Arab oil producers of imposing an oil boycott on states partial to Israel following the Yom Kippur War, gave the Arab boycott a renewed lease on life.

Towards the end of February 1975 the Arab League adopted a resolution to intensify the economic boycott against Israel.¹¹⁷ In reply to a motion for the agenda tabled by Knesset member Eliezer Shostak (Likud) on the subject of Arab pressure to boycott Jewish financial institutions, Minister of Foreign Affairs Yigal Allon assured the Knesset on 19 February 1975, that the Government of Israel had been raising the issue in all meetings with Ministers of Foreign Affairs and Economics from various western countries, including Secretary of State Henry Kissinger. "We drew their attention to the fact that the intensification of the Arab boycott is totally at cross purposes with the aspiration to advance towards peace in the region, in addition to the fact that this boycott, by its mere essence, does not correspond with all that the free states in the world symbolize. We have called upon our interlocutors to act vigorously on this issue, and we believe that we shall see decisive action by western states, and especially the U.S."¹¹⁸

Allon's assurances might have been over-optimistic, especially in the case of the European states. Part of this optimism was based on the fact that a Free Trade Agreement was about to be signed with the European Community on 11 May 1975. "The fact that the European Economic Community found it necessary to sign a comprehensive trade agreement with Israel is an encouraging sign that the Nine are not ready to be pushed around. I hope none of them will bow to pressure or blackmail, either as individual nations or collectively," he said in a press conference a day after the Agreement was signed.¹¹⁹

However, in the case of the U.S. the optimism was justified. Even Kissinger assured Allon, in a letter dated 23 October 1975, that the U.S. would use its influence with other states against the Arab boycott.¹²⁰

The Government's effort to project optimism was not, however, always appreciated. Thus, on 12 December 1975 in a motion for the agenda tabled by Knesset member Yitzhak Shamir (Likud) the future Prime Minister of Israel attacked Minister of Commerce and Trade Chaim Bar-Lev for having said during a visit in the U.S. that "the Arab threats to boycott companies which do business with Israel are, to a certain extent, shadows of mountains rather than mountains."¹²¹ Bar-Lev stated in reply that during his visit to the U.S. he had raised the boycott issue with Secretary of Commerce Rogers Morton, giving him examples of American corporations which had given in to the boycott.¹²² "In my meetings with the media after my talk with Morton," Bar-Lev said, "I tried to create a balanced picture of the situation—a picture which

corresponds with the reality. On the one hand I avoided excessively gloomy descriptions, in order not to deter American companies from maintaining economic ties with us, and also because such a description would simply be contrary to the reality. After all there are over 200 American companies, including multinational corporations, which maintain industrial enterprises in the country—most of them successfully.

"On the other hand, I pointed out that the boycott causes us real damage, and that on the basis of all the criteria it is unacceptable. I believe that we, and everyone who is involved in activity against the Arab boycott in the U.S., must understand that there is a difference between domestic American organizations, and their ability to deal with boycott matters, and the Government of Israel and its ability and means to deal with them. The goal of my visit to the U.S. was to encourage investments in Israel and purchases from Israel, to a no lesser extent than to combat the boycott."¹²³

There is little doubt that had it been left to the Ministers themselves, there would have been no change possibly beyond a greater measure of intensity in the way the boycott issue was dealt with. However, pressure from outside government circles started to push for more decisive action.

What finally led to the establishment of the Economic Warfare Authority in the Ministry of Finance was the commotion caused by three men: the journalists Yuval Elizur (*Ma'ariv*) and Eliahu Salpeter (*Ha'aretz*), and Tel-Avivbased CPA Dan Bavly, who have subsequently been fondly referred to by the officials involved in the anti-boycott campaign as "The Three Musketeers."¹²⁴ Describing a visit to the U.S. soon after the Yom Kippur War Elizur portrayed an apocalyptic atmosphere, in which "the Arabs are perceived as the darlings of the gods and Israel as a country which had had its chance and had blown it." His depression, and that of his colleagues, was increased by the gloomy forecasts of such economists as Baruch Yekutieli and Moshe Zanbar. They concluded that Israel was about to face the most serious battle of its existence in the form of economic warfare. In fact, they were certain that the Arab oil producing states might decide to use their newly acquired economic power to buy up the whole of the Israeli economy.

The immediate outcome was the founding at the beginning of 1974 of the Israel Institute of Coexistence by the "Three Musketeers," Avraham Agmon (the Director General of the Ministry of Finance, who only a few years earlier did not consider combatting the boycott worth any special effort on Israel's part), Yaacov Levinson (Managing Director of Bank Hapo'alim) and Meir Amit (Director General of Koor), with the aim of persuading the Government to set up a body to prepare Israel's economic warfare strategy.

Danny Halperin, who served at this time as advisor to Minister of Finance Pinhas Sapir, became an enthusiastic supporter of the idea, and got Sapir to persuade Minister of Foreign Affairs Abba Eban that from now on the

Ministry of Finance should play the central role in the issue. A meeting of the Ministerial Committee on Economic Affairs, convened by Pinhas Sapir, then decided to establish an economic warfare authority. That all this activity was going on with no publicity is borne out by the fact that soon before he left for New York to assume his post as Israeli Ambassador to the U.N., Chaim Herzog (today President of the State of Israel), chastised the Israeli Government in an article in the *Jerusalem Post* for not doing anything on the boycott issue. "The most obvious example today of a total failure on the part of both world Jewry and the State of Israel is the manner in which the Arab boycott has been dealt with," Herzog wrote.

"Both before the Yom Kippur War, when the first clear signs were apparent of the Arab world's preparation to employ the oil weapon, and soon after the end of the war, the present writer suggested in these columns the establishment of an international Jewish Economic Organization to spearhead a world counterattack against the Arab boycott and those who submit to it. . . The then Minister of Finance (Pinhas Sapir) appointed a committee to examine the subject, but there is no more effective means of postponing action than the appointment of a committee. The fact is that nothing has since been heard in public as to activity by the Government in this matter."

Herzog also blasted world Jewish leadership for failing to react to the boycott, but nevertheless cast the main blame on the Government of Israel, "because in all the years of the State's existence, there has been insufficient appreciation of the importance of this subject. No instrument has been created capable of reacting in economic warfare and affording leadership and direction to world Jewry in this struggle."¹²⁵

In the summer of 1975 the Institute of Coexistence organized a seminar at Christ College, Oxford, at which the Israelis met with representatives of various Jewish organizations to discuss the oil crisis and cooperation in the sphere of economic warfare in general and the Arab boycott in particular. One of the results was that the American Jewish Committee started to study the energy question and to push for effective anti-boycott legislation. The Economic Warfare Authority was established in Israel in July 1975, by which time Yehoshua Rabinowitch was Minister of Finance and Yigal Allon Minister of Foreign Affairs. Allon, who was less inclined than his predecessor to hand the treatment of the boycott issue to the Ministry of Finance, was finally convinced that the latter was the proper address, especially since it had the advantage of being the only ministry with a close working relationship with the American Jewish organizations involved in fund-raising activities and investment in Israel, whose cooperation in the campaign was vital.

Avraham Agmon, who left the post of Director General of the Ministry of Finance at this time and needed a cooling-off period, formally headed the Authority during the first year, though from the very start it was effectively

run by Danny Halperin. To the Authority, which had a small permanent staff, was attached a public committee which was made up of representatives of industry and other economic sectors, as well as representatives of the Ministry of Foreign Affairs, in which the boycott issue was now handled within the framework of the newly formed Energy Department,¹²⁶ and the Ministry of Industry and Trade.¹²⁷ The authority's strategy was worked out within this framework with minimal interference from the ministerial level. In fact, none of the Prime Ministers, finance ministers or foreign ministers in this period were especially interested in the subject, though all gave the Authority their backing and cooperated with it when requested to do so.

The idea was to avoid the establishment of a large apparatus and to use existing setups as far as possible. Danny Halperin defined the philosophy of the Authority as follows: "not to act, but to activate." An attempt to involve the Manufacturers' Association (the body which represents private industry) and the Export Institute (a body associated with the Ministry of Industry and Trade whose job is to promote Israeli exports) failed, primarily because both bodies felt that excessive dabbling in the boycott issue might be counter-productive to Israel's export drive. In the case of the Manufacturers' Association there was also a wariness of close cooperation with the Ministry of Finance unless absolutely necessary. The greatest novelty in the approach of the new Economic Warfare Authority to the Arab boycott issue was in the willingness to talk about it openly and give it maximal exposure, whereas previously there had been an inclination to downgrade its importance. "I think it would be true to say that before 1973 people in Israel looked at the boycott as a nuisance, something one could use to badmouth those applying it, but nobody was involved in a real struggle against the boycott," Danny Halperin explained nine years later. "We spoke about the boycott, we protested against it, but no efforts were made to try to stop the boycott. On the contrary, I remember one case in which such an effort was undertaken, and the then Minister of Finance, Pinhas Sapir, put an end to it because a major UJA contributor might have lost some money had we proceeded, and the State of Israel stood to lose a one million dollar contribution.

"But after 1973 we all realized that the boycott is not only a problem but a danger as well. We then started a discussion, as we had done many times before, as to whether combating the boycott might not aggravate the situation. This time the conclusion was in favor of action."¹²⁸

The logic behind this approach was that the more noise one made around the issue, both in Israel and abroad, the easier it would be to bring about the adoption of practical measures to combat the phenomenon. With regard to North America and Europe this was part of a broader approach which sought to convince public opinion that the Arabs were up to no good, and that the West could and should stand up to them.

One of the first things which the new Authority undertook to do was to deal with definitions: What is the Arab boycott? How does it work? Who is boycotting whom? What is and what is not included in the boycott? Rightly or wrongly the new team felt that it was cutting new ground. The distinction between the primary, secondary and tertiary boycotts originated in this period.¹²⁹ In addition, with the help of information gathered by the IDF intelligence services it was very soon realized that there is no such thing as the boycott, but rather separate boycotts by each of the Arab states which are loosely coordinated by the CBO. Great attention was also given to the so called "loopholes" in the application of the boycott.

Several months after it was set up the Economic Warfare Authority received a major moral boost from a panel of eminent international jurists who ruled, after a demonstration trial held in Washington in October 1975, that economic boycotts and embargoes levelled against third-party countries for political reasons are illegal under international law, and that countries imposing economic boycotts and embargoes must pay reparations to third-party states financially injured by the discriminatory actions.¹³⁰ Though this decision had no practical ramifications, it was nevertheless of importance on the declaratory level.

In terms of the target of the anti-boycott campaign it was decided to start in the U.S. and to mobilize all three major American Jewish organizations. These organizations had dealt with the boycott since the early 1960s but had been hampered before 1973 by Israel's policy of keeping a low profile on the boycott issue, as well as by budgetary and manpower problems.¹³¹ The American Israel Public Affairs Committee (AIPAC) was only marginally involved, especially since the Israeli Ambassador in Washington at the time, Simcha Dinitz, had reservations about the whole issue.

Within the framework of the Research Project on Energy and Economic Policy which the American Jewish Committee started after the Oxford Conference, Jess Hordes began to coordinate the work of the ADL, the American Jewish Committee and the American Jewish Congress on the boycott issue in Washington D.C., in close cooperation with Danny Halperin in Jerusalem.

"A variety of methods and techniques were developed over the years, skillfully honed and employed," Hordes explained to the participants of a seminar on Freedom of Trade with Israel which convened in Brussels a decade later. "These ranged from fact finding to lawsuits, to press conferences, to corporate shareholder campaigns. Allegations of U.S. government and corporate misconduct were made and the corrosive effects of the Arab boycott uncovered. The boycott issue was presented as a domestic American concern involving the protection of American sovereignty and free trade principles from Arab economic blackmail. Although Israel would certainly benefit from

tough new U.S. anti-boycott laws, it was U.S. self-respect and interest that would be vindicated. In part, because of this orientation AIPAC did not play a significant role in this effort."¹³² On the same occasion Halperin gave a slightly different interpretation of the underlying approach: "The precondition for success (of the anti-boycott action in the U.S.) was that it should not be perceived as an Israeli issue, but as an American one. Thus, while Israelis have been very visible in the anti-boycott campaigns in some other countries . . . we kept out of the limelight in the U.S."¹³³

While Jess Hordes had the assistance of the legal advisors of the three Jewish organizations regarding proposed legislative initiatives, initially the work in Congress took on a different shape. "Congress, in the earlier phase, was less concerned with legislation than with providing a forum for exploring the dangers of the Arab boycott. No less than six hearings were held in 1975 by House and Senate subcommittees. Statements were entered into the Congressional record, and Bills, and 'Sense of the Congress' resolutions were introduced—all of which fueled public interest while building pressure for action. By 1976 the groundwork was laid for Congress to proceed with specific legislative vehicles."¹³⁴

Curiously enough the first piece of anti-boycott legislation to be passed in this period in the U.S.—the 1976 Ribicoff Amendment to the Tax Reform Act (TRA)—was not initiated by the Jewish organizations. Halperin explained: "It emerged from the fact that one day Senator Ribicoff returned from a luncheon with a representative of the PLO at the U.N. in New York, and found himself under attack by the Jewish organizations. So he was walking around the corridors of Congress and asking people for advice—what he could do to redeem himself after this famous lunch. As he was a senior member of the Senate Finance Committee which was dealing at the time with the TRA, the opportunity lent itself for some anti-boycott related action, and this is how it all started."¹³⁵

While the Ribicoff Amendment did not prohibit compliance with the Arab boycott it denied tax benefits to companies which submitted to it. Ribicoff himself argued that there was no justification for U.S. tax benefits to be made available to companies acting contrary to U.S. policy, and that economic discouragements were a better deterrent than mandatory prohibitions.

Despite the Ford Administration's misgivings about taking any decisive steps to combat the boycott in order not to anger business interests in an election year, and partly in tribute to Ribicoff's legislative standing, Congress adopted the amendment to the veto-proof TRA in September 1976.¹³⁶ The Ribicoff Amendment added a new section to the Internal Revenue Code "which forbade any agreement, express or implied, to 'participate in or cooperate with' an international boycott not sanctioned by the U.S. The Amendment directed the Secretary of the Treasury to issue every three

months an updated list of the countries found to participate in the secondary and tertiary boycotts. The original list named the following Arab countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, the Yemen Arab Republic and the People's Democratic Republic of Yemen. The remaining eight members of the Arab League, including the three Maghreb states, were not listed.

"Section 999 requires every taxpayer who has any business operations in any of the 14 boycotting countries to report that fact in form No. 5713 which is to be attached to his annual tax return. He is also required to report any boycott participation or cooperation. The sanction for such a violation is the loss of his foreign tax credits and benefits, including credit for foreign taxes and deferral of the taxes on the earnings of foreign subsidiaries. The returns are to be filed with the Internal Revenue Service."¹³⁷

The battle for the amendment of the EAA raged as the 1976 Presidential campaign was in progress, in the course of which Democratic presidential candidate Jimmy Carter announced his support for legislation barring U.S. compliance with secondary and tertiary Arab boycott requirements. The outgoing Administration was less enthusiastic, and Secretary of State Kissinger expressed his concern that the Arabs would see anti-boycott legislation as an anti-Arab gesture which might have an adverse effect on the peace making process.¹³⁸

Carter's victory in November meant that at least in principle his Administration was committed to legislative action in this sense. "A major lobbying confrontation loomed, pitting the Jewish and business communities against each other. In the hope of avoiding that confrontation and with quiet encouragement from the White House, representatives of these two major interest groups met to see whether an acceptable compromise could be negotiated."¹³⁹ Thus began private meetings between the leaders of the ADL and the Business Round Table—an organization in which the chief executive officers of the top 150 American corporations are members—which were eventually joined by the American Jewish Committee and American Jewish Congress as well.

Avraham Agmon described this particular move as extraordinary audacity on the part of Israel and the Jewish organizations. "After all," he stated nine years later in an interview with the author, "the Business Round Table could have bought Israel up with one pro-mill of the turnover of its members." He recalled that George Shultz, who was to become Secretary of State in the Reagan Administration not so many years later, represented the Bechtel Corporation on the Business Round Table in this period.

What finally emerged was a comprehensive anti-boycott law which was enacted on 23 June 1977, in the form of amendments to the existing EAA. "The drafters of the anti-boycott amendments knew that they could not prevent

Arab states from exercising their sovereign right to engage in a primary boycott against Israel," Will Maslow, Counsel for Boycott Affairs in the American Jewish Congress, explained in 1985. "Moreover, they realized that it would be extremely difficult to apply prohibitions to American companies physically present in Arab countries and subject to their laws. They were determined, however, to prevent the boycotting countries from bullying U.S. companies into discriminating against Jewish employees or prospective employees, and to prevent the American corporate allies of these countries from themselves boycotting blacklisted companies.

"The law finally enacted was a complex system of prohibitions and exceptions. Refusing to do business with or in a boycotted country was prohibited, but with the proviso that 'the mere absence of a business relationship with or in the boycotted country. . . does not indicate the existence of an intent required to establish a violation.' U.S. firms were forbidden to discriminate against any U.S. person on the basis of race, religion, sex or national origin, or to furnish information about such matters. An American resident in a foreign country was allowed to comply with the laws of that country but only 'with respect to his activities exclusively therein,' and was not exempt from the prohibition against racial or religious discrimination. Banks were forbidden to honor, confirm or otherwise implement a letter of credit containing any condition or requirement prohibited by the new law or regulations issued thereunder.

"Enforcement of this complex law relied chiefly on the provision that required any U.S. person who received a boycott-related request to report that request to the Commerce Department. Such reports were now to be made available to the public. Boycott requests were reportable even if the action requested was not illegal because of one of the exceptions in the law. Failure to file such reports was punishable by a fine of up to 10,000 dollars."¹⁴⁰ The amendments to the EAA were renewed in 1979. The activities of the American Jewish organizations did not stop at the promotion of anti-boycott legislation and overseeing its implementation. Thus, for example, in 1977 the American Jewish Congress started publishing the *Boycott Report*, which presents boycott-related news.

The second country in which intensive action was taken, with much less success than in the U.S., was Great Britain. In Britain those involved in the work, both Jews and non-Jews, preferred to set up a new organization—the Anti-Boycott Coordination Committee (ABC)—to increase public consciousness concerning the Arab boycott. In 1978 Lord Byre, a good friend of Israel, proposed a bill on foreign boycotts which was similar to that introduced in the U.S. A Select Committee of the House of Lords was appointed to examine the issue and decided against legislation.

However, the Select Committee made a number of strong recommendations, which included greater consistency between the government's policy of publicly deploring the boycott and the absence of practical measures to stop companies submitting to it; that the Foreign and Commonwealth Office stop authenticating negative certificates of origin; that the government raise the issue of combating the secondary and tertiary Arab boycotts on the agenda of the EEC Council. Both the letter and spirit of these recommendations were subsequently largely ignored by successive British governments.¹⁴¹

In France the Israeli Embassy was instrumental in getting a group of French public personalities and lawyers, both Jewish and non-Jewish, to form the *Mouvement pour la Liberté du Commerce* (MLC), ostensibly to struggle for freedom of commerce in general, but in fact to put up a public and legal fight, which would be run by French citizens, to combat the Arab boycott.

The MLC was instrumental in getting the French National Assembly to include an anti-boycott provision in a law dealing with a miscellany of economic measures passed on 7 June 1977, and this despite the fierce opposition of the French Government. The result was that two paragraphs were added to article 32 of the French penal code, providing for the punishment of any person for any act of economic discrimination based on national, ethnic, racial or religious origin. However, a loophole was left in the form of an exception clause which stated that these penal provisions would not apply if the actions or omissions conformed with government directives decided upon within the context of its economic and commercial policy, or as a result of France's international undertakings.

Since in fact the law declared any cooperation with the Arab boycott a criminal offence, the *Compagnie Française d'Assurance pour le Commerce Extérieur* (COFACE), the government-run company for trade insurance, ceased issuing insurance policies for commercial contracts with the Arab states, since such contracts invariably included articles which constitute a breach of the law.

In order to prevent the complete freezing of trade with the Arab states Prime Minister Barre published a decree on 24 July 1977 based on the exception clause, which excluded commercial operations with oil producing states all over the world from the application of the law. To all intents and purposes this decree turned article 32 into a dead letter.¹⁴²

Israel submitted a strong protest to the French government about the Barre decree. In reply to a motion for the agenda tabled by Knesset member Moshe Shahal (Labor), Minister of Foreign Affairs Moshe Dayan disclosed to the Knesset, on 2 August 1977, the content of the protest submitted that very morning by the Deputy Director General of the Ministry of Foreign Affairs, Moshe Allon, to the French representative.

The French had been informed that "Israel views with great gravity the fact that the French government enables a government agency (COFACE) to diverge from the law against economic discrimination by means of an executive decree, the clear meaning of which is to enable the French government company to cooperate with the Arab boycott. The gravity of the matter is not only that this act constitutes encouragement of the Arab boycott, but Israel is presented in this way as an exception, towards which one may behave in a discriminatory way." In addition, this move contradicted the spirit of what had been discussed with the French Minister of Foreign Affairs during his recent visit to Israel, in the course of which the boycott issue was raised.¹⁴³ A similar protest was presented to the Quai d'Orsay by the Israeli Ambassador to Paris, while the MLC embarked on a long struggle against the decree, and eventually succeeded after Francois Mitterand became president (see below).

In the Netherlands, the body which started to act on this subject was the *Centrum voor Informatie en Documentatie Israel* (CIDI). One of the first acts of CIDI connected with the Arab boycott was the publication at the end of 1978 of a blacklist which showed that thousands of Dutch firms comply with the Arab boycott. This was followed by the issue being raised in the Dutch parliament and the establishment of a parliamentary inquiry committee. Reports in the Israeli press on this matter were the background to a parliamentary question by Knesset member Shoshana Arbeli Almoslino (Labor) on 27 March 1979, who asked what Israel was doing about the situation. Deputy Minister of Finance Yehezkel Flumin replied that the issue had been raised with the Dutch Minister of Foreign Affairs during his visit to Israel in February. "In addition," Flumin added, "a representative from the Ministry of Finance had appeared before the Dutch parliamentary committee set up to deal with the matter, and presented the Israeli position which advocates anti-boycott legislation."¹⁴⁴ As a result of the deliberations in the Dutch parliament the Dutch government agreed in October 1979 to stop the authentication by the Ministry of Foreign Affairs of negative certificates of origin; to encourage the use of positive certificates of origin; to stop the indirect cooperation of the Dutch export insurance company with boycott provisions; to forbid non-Jewish declarations;¹⁴⁵ to initiate a law urging companies to inform the Ministry of Economic Affairs when approached with boycott requests; and to examine whether the Dutch competition law could be used to stop the tertiary boycott. All these undertakings were eventually fulfilled with the exception of the last one.¹⁴⁶ Anti-boycott legislation was passed in the Netherlands in 1984 (see below).

In Canada the Arab boycott issue was first raised in 1975 in connection with the alleged practice of the federal Export Development Corporation (EDC) of providing financing and insurance coverage for export transactions with Arab states which included boycott provisions. In this connection Prime

Minister Pierre Elliott Trudeau stated in the House of Commons on 8 May 1975 that he thought it was "sufficient to say that this type of practice is alien to everything the government stands for and indeed to what in general Canadian ethics stand for."¹⁴⁷ In more concrete terms Minister of Industry, Trade and Commerce Alastair Gillespie announced on 2 June 1975 that the government would no longer permit the EDC to insure discriminatory boycott clauses. One month after Israeli Minister of Foreign Affairs Yigal Allon visited Canada to sign a trade agreement Canadian Secretary for External Affairs Donald Jamieson announced, on 21 October 1976, that the government's anti-boycott policy would be implemented by means of guidelines—not legislation.¹⁴⁸ However, such guidelines were only introduced after the Commission on Economic Coercion and Discrimination, a citizens' commission headed by International Law Professor Irwin Cotler, published a report in January 1977 on the manifestations of the Arab boycott in Canada and recommendations for anti-boycott action.¹⁴⁹ In June the Canadian Association of Statutory Human Rights Agencies (CASHRA) passed two resolutions on the Arab boycott, calling on the federal government to pass anti-boycott legislation and on the provincial human rights agencies to oppose the Arab boycott and seek to influence their respective provincial governments to do so as well. In September of the same year the Canadian Labor Congress also declared itself in support of the CASHRA resolutions and called for anti-boycott legislation to be passed and implemented.¹⁵⁰ Israel's involvement in all this activity was indirect, but no legislative action on the federal level resulted.

Following a visit to Israel in January 1977, William David, the Conservative premier of Ontario, made a bold anti-boycott statement in which he declared that his government was "opposed to compliance and complicity with the boycott in both the public and the private sector." He added that since "the policy of the Federal Government has not had any noticeable effect so far. . . I intend to take certain steps to lessen the effect of the boycott as far as firms over which Ontario has control are concerned."¹⁵¹ Davis finally managed to get a bill through prohibiting discrimination in business practices, which addressed itself to the secondary and tertiary boycotts, on 9 November 1978.¹⁵² Davis' initiative did not result in any change on the federal level. Trudeau continued to oppose any concrete measures, despite pressure by the Canadian Jewish community.¹⁵³ Although Joe Clark, leader of the Progressive Conservative Party, promised after a visit to Israel in January 1979 that if his party won the forthcoming federal elections he would move the Canadian Embassy from Tel-Aviv to Jerusalem and introduce anti-boycott legislation, the first pledge caused such a furor that during his brief premiership from April to December of 1979 the Embassy was not moved, nor was any anti-boycott legislation proposed.¹⁵⁴ On the level of the European Economic Community efforts were also made to further various anti-boycott measures through the

World Jewish Congress (WJC). The first approach was made in June 1976 by M. Claude Cheysson, who was Commissioner responsible for competition at the time, when he was asked to act against discriminatory practices resulting from the Arab boycott. It was pointed out that the secondary and tertiary boycott practices were unmistakably discriminatory on grounds of race, ethnic origin and religion, and were thus inherently incompatible with the principles of non-discrimination and freedom of economic transactions as embodied in articles 7, 85, and 86 of the Treaty of Rome.

In these initial contacts with Cheysson it was also suggested that the European Community should act on the basis of articles 100 and 101 of the Treaty of Rome¹⁵⁵ which enables the Commission to promote harmonization of the laws of member states. In this case it was suggested that the anti-discrimination laws in the various member states be harmonized.¹⁵⁶

The EEC Commission stated in reply to a question in the European Parliament on 6 September 1977 that "effective action against the activities of the Boycott Office implies the adoption, by *all the industrialized states*, of legislative acts declaring the actions of the boycott illegal." In other words, the idea was to try and push the issue over to the Organization for Economic Cooperation and Development (OECD). In fact, no concrete progress was made either within the framework of the EEC or the OECD, even though the U.S. raised the issue in the latter organization.¹⁵⁷ While activities in North America and Western Europe aimed at promoting anti-boycott legislation, were the main thrust of the anti-boycott campaign in the years 1975-79, the Economic Warfare Authority developed other means of fighting the boycott, all of which are still part of Israel's official anti-boycott policy. Among these means is intervention in cases where Israeli interests have been harmed by the application of the boycott and have formally approached the authorities.

The Authority started dealing with individual cases by merit, working through the organizations in the various countries which deal voluntarily with the boycott issue, approaching the foreign companies involved and, in the last resort, seeking the intervention of the governments of the states in which the problem emerged. The files of the Economic Warfare Authority indicate that since 1975 hundreds of cases have been dealt with, with varying degrees of success.

Another form of activity which has been carried out by the authority since 1975 with the full cooperation of the Ministry of Foreign Affairs, is getting foreign governments to make anti-boycott declarations. Foreign governments have also been asked to stop indirectly cooperating with the boycott authorities, as for example in the case of the authentication of signatures on negative certificates of origin.¹⁵⁸ The non-discrimination clauses of the European Economic Community, the General Agreement on Tariffs and Trade (GATT),¹⁵⁹

and the bilateral agreements between the EEC and the Arab Maghreb and Mashreq states, have also been invoked.

The idea of trying to organize a boycott against the Arab states by Israel's friends abroad was never seriously considered in this period, since it was clear that the economic balance of power doomed such a boycott to failure. Experience had also taught the Israeli authorities that not even American Jews were willing to cooperate with such a move if it involved any real economic inconvenience to them.

Nevertheless, there was a policy of doing everything possible to ridicule the Arabs (for example, by means of cartoons), to portray them as enemies of Western society and everything that it stands for, and to warn against the dangers inherent in the accumulation of vast sums of petro-dollars by the Arab oil producing countries.

CONCLUSION

For a period of about five years, from 1974 to 1979, Israel's anti-boycott policy was temporarily upgraded and was viewed as part of an economic warfare effort. The background to this development was the economic havoc wrought by the first energy crisis and the enormous economic wealth which the Arab oil producing countries managed to accumulate as a result. The initiative for the upgrading of Israel's anti-boycott policy did not come from the government but from panicstricken persons from outside the administration who managed to coopt a number of senior officials. As it happened, those who foresaw doom were wrong. However, their initiative did push the authorities, in cooperation with well-wishers from abroad (primarily but not exclusively Jewish) to make a greater effort than ever before to face up to the Arab-boycott on the legal, practical and moral levels.

The result was that the Arab boycott was declared, to all intents and purposes, illegal in the U.S. (even though some major corporations prefer to pay high fines rather than comply with the law on this issue), and several West European states followed suit. However, outside the U.S. it soon became apparent that while governments are willing to express objection on moral grounds to the secondary and tertiary boycotts, they justify lack of concrete action by perceived economic and commercial interests.

One of the results of the intensive activity around the boycott in these years was a much more accurate understanding of what the boycott involves, how it works and what one can and cannot do against it. It also became apparent that even at the peak of their economic power the Arabs were either unable or unwilling to invest the effort in trying to destroy Israel economically.

V. Inertia—1979 to the Present¹⁶⁰

By the late 1970s much of the enthusiasm concerning the struggle against the Arab boycott waned. This was due to several factors. First of all, it became apparent that the success which had been scored in the U.S. would not be repeated in Europe, and that any progress in the European states would be slow and hesitant. Second, the fear that the Arabs would act effectively to destroy the Israeli economy—by buying it up, through the boycott, and by other means—proved to be totally unfounded, while the peace treaty signed with Egypt in March 1979 not only put an end to the application of the boycott by Egypt,¹⁶¹ but gave rise to hopes that a change was imminent in Israel's relations with other Arab states as well.

In addition, in 1979 the main driving force in the Economic Warfare Authority, its director Danny Halperin, was appointed Economic Minister in the Israeli Embassy in Washington. His successor, Ephraim Davrath, inherited an Authority with a shrunken staff, and since as Deputy Director General of the Ministry of Finance he is also Director of its International Department, to quote Davrath himself: "I devote only ten percent of my time to the boycott issue."

While it is doubtful whether the Authority would have been established in the late 1970s if it had not previously existed, it continues to work along the same lines as before: dealing with individual cases, trying to get friendly governments and organizations to introduce anti-boycott legislation, apply existing laws and treaties to boycott related cases, make public statements against the Arab boycott or at least avoid acting in a way which may be interpreted as cooperation with the boycott; trying to get various economic international organizations to apply non-discrimination clauses and articles to boycott cases; and increasing public awareness of the harmful nature of the Arab boycott, not only to Israel but to the countries in which it is applied as well.

In a document presented by the Economic Warfare Authority to the participants in the 1984 Brussels Seminar the following description was given of how individual boycott cases are dealt with by the Authority. Such cases, the document stated, are referred to the Authority by Israeli and foreign companies, Israeli representatives abroad, or voluntary organizations in Israel and abroad, or are brought to its attention by press reports.

"The handling of these cases usually starts with an investigation as to whether they are indeed boycott related, or whether abstention from doing business with Israel is based on commercial reasons only. If the suspicions are substantiated, documentary proof is sought." After that any of the following steps may be taken:

1. The foreign company involved may be approached directly by Israeli representatives, or indirectly through the local bi-national chamber of commerce, or some other organization which is concerned with the boycott.
2. In countries in which there is willingness on the part of the government to cooperate with Israel, the relevant ministerial department may be requested to intervene, making the company which is under boycott pressure aware of the government's opposition to it, and advising it on ways to maintain trade relations with Israel without jeopardizing its interests in the Arab states.
3. Sometimes, the possibility of persuading the boycotting company with the help of companies or persons in sympathy with the struggle against the boycott, is considered. These may be either suppliers or clients of the company involved, or individuals who have close personal contacts with its management.
4. An appeal might be made to public opinion through the media. In such an appeal emphasis is placed on awakening awareness to the economic damage caused the economy of the country and its companies, the injury to the principle of non-discrimination and free trade, and on the anti-Semitic undertones which are occasionally involved.
5. Even though Israel is opposed in principle to counter-boycott, companies which cooperate with the boycott authorities are made aware of the fact that customers who are friendly to Israel might refrain from purchasing the products of accompany which boycotts Israel."

The document then goes on to enumerate the arguments which are used in trying to persuade foreign companies not to cooperate with the implementation of the secondary and tertiary boycotts.

1. The boycott runs contrary to the principles of liberalism which are anchored in the traditions of the western world, in the national legislation of some countries and in international agreements within the framework of the EEC and GATT.
2. The boycott prevents the companies subjected to it from taking decisions on the basis of purely commercial considerations.
3. The boycott constitutes intervention in the internal affairs of third states and their involvement in a conflict in which they are not a party.
4. The implementation of the boycott by the Arab states is flexible and subject to their own economic interests. The boycott regulations leave many loopholes which in many cases enable companies to maintain economic contacts with Israel (especially in the sphere of export/import activities) without the boycott authorities acting against them. Furthermore, there are many examples of multinational corporations which function openly both in Israel and the Arab states.
5. Even though Israel is opposed in principle to circumvention of the boycott through indirect trade contacts, in special cases advice is given to companies as to ways and means of overcoming boycott barriers."¹⁶²

However, the cases which continue to be brought to the attention of the Economic Warfare Authority almost invariably concern relatively small firms and deals, though they raise a broad variety of problems created by the boycott for Israeli companies and foreign companies which have close economic

contacts with Israel. Quite a few are dealt with successfully, but there are no spectacular breakthroughs—nor are any expected. It is extremely difficult to assess what percentage of the boycott cases actually reach the Economic Warfare Authority. It is probably low.

The reasons why companies do not approach the Authority are many. First of all there is the aversion from working too closely with the Ministry of Finance. Perhaps if the body dealing with the boycott were not part of a government ministry more companies would seek its help. Second, the larger companies and conglomerates especially have their own means of dealing with the boycott, and many have developed extremely sophisticated methods of circumventing it. Third, many companies are simply not aware of the existence of the Economic Warfare Authority. Since the establishment of the boycott information center in the ADL offices in Jerusalem (see below) some companies have started to turn to it for assistance.

At the end of 1982, with the backing of the Export Committee of the Manufacturers' Association, this writer sent out a questionnaire to all the members of the Association inquiring if they would be willing to cooperate in the collection of information on the extent and nature of the effects of the boycott on Israeli industry. Even though it was stipulated that they would not have to identify themselves in the process of supplying the information, only a handful bothered to reply.

Nevertheless, the cooperation of the manufacturers can be elicited if it seems to be worth their while. Thus, in June 1982 the Economic Warfare Authority, by request of and in cooperation with the Ministry of Industry, Trade and Tourism, sent out a questionnaire to all the Israeli textile exporters to find out how many sent products to the European Community without "made in Israel" labels, and why. The reason for the sudden interest was that a proposal had been submitted by the EEC Commission to the Council on 17 December 1981, concerning the marking of the origin of certain textiles imported from third-party countries, the goal of which was to make such marking mandatory.

A copy of the proposal was attached to the questionnaire sent out to the textile exporters. Most of them filled out the questionnaire and returned it. Quite a few admitted that they did not attach labels of origin to their products because of boycott considerations (the European purchasers did not want "made in Israel" labels on the merchandise because they were afraid of losing Arab customers), and that the proposed regulations would create marketing problems for them. Equipped with that information the Foreign Trade Staff of the Ministry of Industry, Trade and Tourism brought the problem up with the EEC authorities. What is of interest to us is that in this case the manufacturers were cooperative.

In the case of the Histadrut (the Labor Federation) the reason for its wariness with regard to the Economic Warfare Authority is more complicated.

In fact, since the late 1970s boycott related problems which emerged within the Histadrut sector were almost never brought to the attention of the government authorities. One reason was that over the years the various regional sections of "Koor Trade," the trading company of the Histadrut owned industrial enterprises (controlling approximately 25% of Israeli industry), developed sophisticated ways of circumventing the boycott—including the primary boycott—*inter alia* by using subsidiaries and dummy companies abroad.

However, in the 1980s, Koor (which embraces all the Histadrut owned industrial companies) ran into increasing financial difficulties resulting from the hyperinflation of the years 1981-84, inappropriate adaption to new economic realities and the high interest rates which accompanied the economic stabilization plan adopted by the National Unity Government in July 1985. It then came across boycott-related problems in a different sphere—in its efforts to raise capital and find new partners abroad.

Difficult as it always is to separate business and security related factors from boycott factors, the heads of *Hevrat Ha'ovdim* (the Histadrut holding company) have a hunch that the boycott has played a role in their difficulties to raise money abroad. In an interview to *Yediot Aharonot* Danny Rosolio, the Secretary of *Hevrat Ha'ovdim*, stated while discussing the financial problems of Koor that: "The solution must be external capital coming to the enterprises through partnerships of up to 50 percent. The problem is that we are not successful in mobilizing foreign investors for Koor, and I estimate that external capital will not arrive for many years to come. In my opinion the Arab boycott is not properly appreciated. To the present day I do not understand why the American corporation G.T.E. sold its share in Tadiran.¹⁶³ I do not exclude the possibility that the reason was the Arab boycott. This is also the reason that I warn against foreign interests gaining control over our banks."¹⁶⁴

The reason that this particular problem has not been raised with the Ministry of Finance is primarily political. In fact, none of the Ministers of Finance since 1977, all from the Likud, have exactly had Koor's well-being at heart. On the contrary, some of the Ministers did not hide their satisfaction with the fact that the labor economy was in difficulties. In its platform in the 1988 elections the Likud actually proposed that the Histadrut industrial sector be nationalized and then privatized. Thus, it is not surprising that *Hevrat Ha'ovdim* has not considered the Economic Warfare Authority, which is an integral part of the Ministry of Finance, as an appropriate address for discussing its financial difficulties—boycott related or otherwise.

Returning to the government's anti-boycott activities, in the legislative sphere the major success scored since 1979 has been in France where after assuming the presidency President François Mitterand fulfilled his pre-election promise of reactivating the 1977 anti-boycott legislation and removing all the obstacles from its application. This was done within the framework

of the Mauroy circular of 17 July 1981. In fact, as a result of the Lebanese War which broke out in June 1982, the implementation of the new policy was put off until 1984.¹⁶⁵

Progress was also made in the Netherlands where the penal code was amended in June 1981 banning every form of racial discrimination in the commercial sphere, including non-Jewish declarations. Then in May 1984 legislation was passed making it mandatory on all companies in the Netherlands to report boycott requests.¹⁶⁶ In Belgium anti-discrimination amendments were introduced into the penal code in July 1981, making it an offence to discriminate against a person on the basis of race, religion or ethnic grounds. While this legislation had little to do with the boycott, it was felt that it could be used to combat boycott cases and was consequently promoted and supported by Israel's friends in Belgium.¹⁶⁷

One of the excuses which the representatives of various West European states have given Israel for refusing to promote anti-boycott legislation has been that such legislation is liable to damage their countries' commercial relations with the Arab states without bringing them any visible benefits. Israel has pointed out in reply that U.S. trade and other economic contacts with the Arab world have not in the least been hurt by the existence of anti-boycott legislation. This has been demonstrated statistically. What has actually happened in the American case is that the Arabs have simply almost completely stopped demanding that certain boycott requirements, such as negative certificates of origin, be complied with by companies in the U.S. (This does not apply to American subsidiaries outside the U.S.) When reproached by the representatives of these states for demanding that they pass legislation which Israel itself has so far failed to pass, Israel's representatives have pointed out that it is foreign companies which are either giving in or cooperating with the boycott—not Israeli companies. In fact, in the early 1980s Ephraim Davrath started to consider the introduction of legislation which would make it mandatory for Israeli firms to report all boycott related cases to the appropriate authorities. However, at the time there was no interest in the subject either within the Government or amongst private Knesset members, while it was clear that industrial circles would strongly object to it. Where no progress has been made is in getting the EEC to apply the anti-discrimination clauses of the Treaty of Rome and its trade agreements with various Arab states to boycott cases, and to harmonize the legislation of its various member states, and this despite the fact that the issue has been frequently brought up with the European Commission and the foreign ministers of various member states. Nevertheless, so much pressure was placed on the members of the EEC that on 25 October 1982 the Ministers of Justice of the members of the EEC instructed the Commission to investigate the legal issues, resulting in the preparation of a detailed but inconclusive

document by the legal department of the Commission. This document *inter alia* proposed that the OECD (of which Japan, the worst offender in terms of a state which maintains full diplomatic relations with Israel but nevertheless fully cooperates with the boycott, is a member) was the appropriate forum to deal with the harmonization of anti-boycott legislation—not the EEC.¹⁶⁸

While anti-boycott statements have been elicited from the leaders of various countries and top officials in the EEC, they are relatively meaningless since they are rarely followed up with any concrete measures. Many governments also are reluctant to intervene in what they claim to be “the commercial considerations of enterprises.”

The Lebanese War (1982-85) and the measures which Israel has taken since December 1987 to suppress the *Intifada*—the uprising of the Palestinian population in the territories—both caused a rise in the voluntary boycott of Israel by foreign companies, and the growing reluctance of foreign governments to take measures which might be interpreted as explicitly pro-Israel. Nevertheless, Israel continues on every appropriate occasion to present its point of view. While admitting that the primary boycott is understandable and even admissible, given the state of war which exists between Israel and most of the Arab states, Israel argues that the secondary and tertiary boycotts are contrary to existing international agreements and as harmful to the foreign states in which they are applied as they are to Israel, since they obstruct free trade. It is also pointed out that states which maintain full diplomatic relations with Israel but refrain from doing anything to counter the application of the secondary and tertiary boycotts in their territories, are committing an unfriendly act towards Israel.

The Economic Warfare Authority has continued to cooperate with the appropriate departments in the Ministry of Foreign Affairs. However, as the size of the Authority and the scope of its activities shrank, there was growing tension concerning the distribution of functions and authority in dealing with boycott issues abroad.

Collaboration with Jewish and mixed groups abroad which have traditionally dealt with the boycott issue has also continued. However, what appears to have happened is that whereas until 1979 it was the Economic Warfare Authority which activated the foreign groups, since 1979 it is increasingly the foreign groups which have been pushing for Israeli action. This emerged very clearly at the June 1984 Brussels Seminar on “Freedom of Trade with Israel” where some of the non-Israeli participants complained about the apparent lack of interest in the subject in the Israeli Government. One of the specific complaints was that whereas Israel was pushing foreign countries to pass anti-boycott legislation none was passed in Israel.

In 1988, an inter-departmental committee, made up of the Economic Warfare Authority and representatives of the Ministry of Industry and Trade

and the Ministry of Foreign Affairs, started to consider anti-boycott legislation which would enable the government to take measures against companies which have given in to the boycott of Israel.

As a result of prodding by the American Jewish organizations (and to a lesser extent by the ABC in Britain), two additional initiatives were embarked on following the Brussels seminar and a follow-up meeting in London in March 1985. The first concerned the problem of Japan, the second the establishment of a documentary center to disseminate up-to-date information concerning the boycott.

Japan has always been the worst offender in terms of giving in to the Arab boycott. Most of the large Japanese conglomerates openly refuse to do any business with Israel, or do business only through intermediaries. Frequently it is a voluntary boycott which is being applied. The Japanese Government has refused to do anything to change the situation.¹⁶⁹

Following the London meeting a steering committee was set up with the participation of the official Israeli bodies concerned and the foreign organizations dealing with the boycott issue, with the goal of starting an anti-boycott campaign in Japan. With some cooperation from the U.S. Administration and the full cooperation of the current Israeli Ambassador to Tokyo, Dr. Yaacov Cohen, and the Israeli Manufacturers' Association, *some* progress has been made.

This progress is, however, not wholly due to the campaign. It should be borne in mind that Japan is no longer as dependent as before on Arab oil (though it still imports some 60% of its oil from the Middle East) and Arab customers, while Japanese industry has become aware of commercial opportunities in Israel and of the advanced stage of scientific and technological developments in Israel in certain spheres which are of interest to Japan. However, hopes that the Japanese government might be changing its policy as well were proven premature in the course of the first visit by a Japanese Foreign Minister to Israel towards the end of June 1988. Though at least publicly the boycott issue was not raised with Sosuke Uno during his visit to Israel, various projects for economic cooperation were presented to him. The Japanese response was that such cooperation could take place once progress was made in the peace process. Nevertheless, Israeli officials expressed the hope that the mere occurrence of the visit would serve as an indication to the Japanese business community that contacts with Israel were no longer taboo.¹⁷⁰ With regards to the establishment of a documentary center, a boycott information center was finally set up within the framework of the ADL offices in Jerusalem in October 1987. This center is in contact with the Economic Boycott Authority and the Ministries of Foreign Affairs, and Industry and Trade, but is part of the ADL to which it reports.

CONCLUSION

In no previous period was Israel's anti-boycott policy as institutionalized and routine as it has been since 1979. The institutions and routines were all established in the previous period, only today there are far fewer people engaged in operating them, and the anti-boycott apparatus is reactive rather than initiative. Most of the successes scored (as in the case of the anti-boycott legislation in France and the Netherlands) are also the fruit of earlier efforts. New initiatives are almost invariably inspired from abroad, where some of the bodies established in the 1970s in coordination with Israel to deal with the boycott have assumed an independent existence.

General Conclusions

Like other continuous phenomena so the Arab boycott of Israel has had its peaks and ebbs. It is only to be expected that the most intensive anti-boycott activity on Israel's part (or of the pre-state national institutions) took place in the peak periods: the mid-1940s, when the boycott was first officially declared; the late 1950s, when Egypt extended and intensified its boycott activities; the mid-1960s, when the boycott was applied more visibly, especially in the U.S.; the mid-1970s, when the newly acquired Arab economic power, resulting from the drastic rise in the price of oil, greatly increased the number of foreign companies and states willing to give in to the demands of the Arab boycott. During the rest of the period the various apparatuses which were set up to deal with the boycott continued to function, though on a "low flame."

The official bodies which were assigned the task of dealing with the boycott kept changing over the years. At first, before the establishment of the state it was the Political Department of the Jewish Agency and the Committee for Economic Defense headed by the President of the Manufacturers' Association. In the early years of the state it was the Economic Department of the Ministry of Foreign Affairs which dealt with it, and as of 1953 it was assisted by a boycott desk in the Research Department of the Ministry. In 1956 the External Relations Department of the Jewish Agency started to deal with the boycott as well, and in 1957 an Anti-Boycott Committee with a very broad membership was set up. The latter ceased to function the following year. In 1960 the Department for Political and Economic Planning was set up within the Ministry of Foreign Affairs to deal exclusively with the boycott. This department continued to exist until 1973. In 1975 the Economic Warfare Authority was established within the framework of the Ministry of Finance. Each new body which was assigned the task of dealing with the boycott, or established for this purpose, was almost totally oblivious of what its predecessors had done and set about dealing with it from scratch. All very quickly reached the conclusion that one could not eliminate the boycott, and that the maximum which one could achieve was to deter specific companies from giving in to it and to try (with only marginal effectivity) to get foreign governments and international organizations to act against it. All tried to prove that the boycott, or certain manifestations of it, are illegal or immoral, but only in the mid-1960s did the idea of trying to combat the boycott by means of specific legislation emerge.

The greatest successes have been scored with individual companies, especially in cases where foreign governments have been cooperative. However, one of the difficulties with gaining foreign cooperation, besides vested

interests and fear of the Arabs, has been the perception that Israel has been coping very nicely with the boycott without external help.

While there has always been a lot of legal talk connected with the boycott, only rarely have any boycott related cases been brought to court, and then invariably on the basis of domestic laws—never on the basis of international law. In the field of anti-boycott legislation (which is a relatively recent development) the only major success was scored in the U.S. There is no doubt that this success was brought about largely because of the activities of the local Jewish organizations.

Throughout the years those involved in the anti-boycott struggle have had to decide just how seriously to take the Arab boycott. Since it has never been clear just how much damage it was causing, the basis on which one had to decide whether to take the boycott seriously or to pooh-pooh it was always subjective. Specific events which received much publicity could start a wave of activity; a general feeling of wellbeing was the cause of complacency.

Another problem which the decision makers have had to deal with throughout the years has been in what direction to concentrate the anti-boycott effort. In the 1950s, for example, the debate among the decision makers was whether to concentrate on problems related to the Suez Canal or on problems related to specific companies. In the 1960s the debate was between those who felt that Israel should carry on its activities on a broad front and others who argued that since there was no way Israel could defeat the boycott it ought to concentrate on specific cases where the chances for success were good. In the 1970s the emphasis was placed on getting foreign governments to pass anti-boycott legislation and to make anti-boycott declarations, but there were those who felt that this was a waste of time and merely encouraged the boycotters to use more sophisticated methods to impose their will.

A third decision which the policy makers constantly had to take concerned the question of how much exposure to give their activities. The problem was and remains to find the right balance between not giving the boycott so much publicity that the Arabs would be seen to have scored a victory on the economic front or that potential economic partners might be scared off, on the one hand, and giving it sufficient publicity so that friendly foreign governments might be willing to take concrete measures against it, on the other. Generally speaking the Israeli authorities are less secretive about the boycott today than in the past. Nevertheless, there has usually been very little public awareness concerning the extent to which the Arab boycott has actually functioned, and almost none—not even amongst politicians—on the subject of what has been done by the government over the years to combat it. As on most issues, when the Arab boycott has come up for discussion the political Right has usually demanded “once and for all” solutions, while the Left was more pragmatic and modest in its expectations.

Only on one occasion did the Arab boycott get close to being the subject of "high policy"¹⁷¹—briefly, in the aftermath of the Yom Kippur War. In fact, Israel's boycott policy has always been determined by officials of the senior or intermediate level, frequently under the inspiration of persons from outside the administrative system. Furthermore, it has rarely if ever been part of a broader overall policy, though it has on occasion been constrained by high policy issues, as for example in the early 1960s when arms purchases took precedence over furthering anti-boycott activities in the U.S. Thus, the boycott shares the same fate as other economic issues within the framework of Israel's foreign policy,¹⁷² and the 1952 Restitution Agreement with the Federal Republic of Germany remains one of the rare examples of economic requirements taking precedence over other considerations in Israeli foreign policy.

As the delay in the application of the 1977 French Law after François Mitterand became president of France demonstrates, there is also a correlation between criticism of the current Israeli policy regarding the Arab-Israeli conflict and willingness to cooperate with it on boycott related issues. The reason for the delay in this case was the Lebanese War, which incidentally was the cause for a great increase in the application of the voluntary boycott against Israel.

Has the continuous struggle against the anti-boycott really been worth the bother? In the purely economic sense it is difficult to answer this question. On the one hand most of Israel's manufacturers and traders have learnt to deal with various manifestations of the boycott with varying degrees of success, without any help from the government. On the other hand, despite all the anti-boycott activity none of the really important multinationals has invested a cent in Israel and tens of thousands of smaller companies throughout the world have refrained from doing any sort of business in Israel. The boycott has been at least partially responsible for this.

Nevertheless, it may be argued in defense of the anti-boycott activities of the Israeli government that they have helped ensure that the environment in which the manufacturers and traders function is more congenial, or at least less hostile, than it might otherwise have been. In the case of the U.S. and its anti-boycott legislation this is obvious.

Though the campaign in western Europe has clearly been much less successful than in the U.S., it may be argued that had Israel not kept raising the issue with European governments and institutions, the Arab boycott authorities would have been much more successful in imposing their will. In all those countries which have adopted anti-boycott measures of one sort or another, this activity has had an important psychological effect both on the boycotters and potential collaborators with them.

Though the number of boycott cases which have been resolved to Israel's benefit through government intervention has been relatively small, the

economic benefit to Israel resulting from those success scored has probably been greater than the cost of maintaining the apparatus for dealing with the issue.

What about the future?

There is no doubt that the Arab boycott will continue to linger on in one form or another until a comprehensive peace settlement is attained between Israel and the Arab world. However, as the peace treaty with Egypt demonstrated, a gradual dismantlement of the boycott is also possible within the framework of partial or interim arrangements. The Israeli policy makers must, however, devote careful thought to the economic aspects of these arrangements. At least two authoritative personalities have argued that in the agreements with Egypt insufficient attention was given to economic questions.¹⁷³

However, until a comprehensive peace settlement is reached, could Israel do more than it is currently doing?

It is highly doubtful whether more could be done to get foreign governments to take effective measures against the boycott. However, insofar as Israel does raise arguments of a legal nature against the EEC and its members, greater efforts might be made to get European subsidiaries of Israeli companies or European companies whose owners are close to Israel to actually bring a test case to the European Court. Though Israel has been raising such legal arguments for at least twelve years, so far these arguments have never been tested.

Inside Israel it might be worth trying to do more to collect data about boycott related cases which Israeli businessmen fail to report and which they try to deal with themselves, occasionally by illegal means. While the advisability of legislation in Israel which would make the reporting of all boycott related cases mandatory should be carefully examined, it might be worth encouraging an independent academic institute to delve more deeply into the subject. Certainly Israel's commercial attaches abroad who are subject to the Ministry of Industry and Trade (which does not as a rule deal with the boycott), could be instructed to report home on all boycott related cases which they may come across (currently they do not).

If more information were available the politicians could deal with the phenomenon more seriously—not merely as a tool against their political opponents. For example, the boycott issue found its way into the Labor Party political platform towards the elections to the 12th Knesset,¹⁷⁴ to a large extent because the chairman of the Party's Political Committee, MK Micha Harish, became interested in it after being approached about a problem related to Pepsi-Cola—the American soft-drinks company which gave in to the Arab boycott in the 50s.¹⁷⁵

The idea of passing legislation in Israel which would enable the government to impose sanctions on foreign companies which apply a selective boycott

on Israel, is certainly worth pursuing with greater intensity. There is no earthly reason why Israel should enable foreign companies which refuse to do direct business with it to market their products in Israel indirectly (e.g. Japanese companies like Sanyo), or why major international corporations which are interested in the Israeli market in certain spheres should be allowed to boycott it in others (e.g. the German multinational Hoechst). Exceptions may, of course, be allowed if Israel's own vital interests are involved.

Finally, the reintroduction of a measure of discipline in the publication of certain types of economic information by the media might also be worth looking into. One of the personalities who had been involved in the Israeli anti-boycott effort in the 1950s and 1960s but asked not to be identified by name, commented to the writer in June 1988 that in his opinion something ought to be done about what he termed "Israel's free press fetish," at least insofar as certain economic information is concerned. The almost obsessive preoccupation of the media with every potential business deal in which Israeli companies are involved, including military contracts, serves no one but the Arab boycotters, he said. What he proposed was some form of either formal or voluntary censorship on certain economic issues, as had existed, according to him, in the past.

As has always been the case there are still those who argue that Israel should not invest too much effort into trying to combat the boycott—that it has always managed to pull through economically, irrespective of what the Arabs have done, and will continue to do so. However, if the impression of the Secretary of *Hevrat Ha'ovdim* Danny Rosolio is correct, and Koor's difficulties in finding new partners abroad is at least partially due to the Arab boycott or a voluntary boycott stemming from dissatisfaction in certain international financial circles with Israel's policy in the territories and towards the peace process in general, then perhaps complacency is not in place. This is especially true if Israel will seriously embark on a policy aimed at reducing its economic dependence on the U.S., either because the cow will refuse to continue suckling the calf, or because the calf will itself reach the conclusion that its own welfare calls for a change of eating habits and diet.

One way or the other it might not be a bad idea for the policy makers to take a renewed overall look at the whole issue. Every policy should be reviewed periodically.

Notes

1. Donald L. Losman, *International Economic Sanctions: the Cases of Cuba, Israel and Rhodesia*, Albuquerque, University of New Mexico Press, 1979.
2. David B. Dewitt, "The Arab Boycott of Israel," in David Leyton-Brown ed. *The Utility of International Economic Sanctions*, London, Croom Helm, 1987, p. 151.
3. Gary Clyde Hufbauer and Jeffrey J. Schott, *Economic Sanctions Reconsidered*, Washington D.C., Institute for International Economics, 1985, p. 29.
4. Dan Chill, *The Arab Boycott of Israel*, New York, Praeger Publishers, 1976, p.3.
5. James M. Lindsay, "Trade Sanctions as Policy Instruments," *International Studies Quarterly*, June 1986, p. 157.
6. Ibid. p. 155.
7. For a description of the boycott mechanism see Losman op. cit., and "The Organization and Operation of the Arab Boycott," in Susan Hattis Rolef ed. *Freedom of Trade and the Arab Boycott*, Jerusalem, Anti-Defamation League of B'nai Brith, in cooperation with the Israel Institute Of Coexistence, 1985, pp. 27-32.
8. Frank Gervasi, *The Case for Israel*, New York, the Viking Press, 1967, p. 134. MK Abba Eban expressed the same view to the author in 1985.
9. See for example, Losman op. cit. pp. 63-73, Hufbauer and Schott, op. cit. pp. 182-5, and Dewitt op. cit. pp. 153-61.
10. Lindsay, op. cit. pp. 155-6.
11. **Accommodation**—learning to live with the boycott;
Secondary boycott—the blacklisting, by the Arab states of companies doing more than just "normal" business with Israel;
Tertiary boycott—the boycotting of blacklisted companies by foreign companies, as a result of Arab pressure;
Voluntary boycott—the boycotting of Israel by foreign companies in order to please the Arabs without being pressured to do so, or because of displeasure with Israel's policies.
12. Chill, op. cit. p. 1.
13. Central Zionist Archives (CZA), file S25/7309.
14. Chill, op. cit. p. 2.
15. CZA, S25/345.
16. Yoram Ben Porath, "The Entwined Growth of Population and Product, 1922-1982," in Yoram Ben Porath ed. *The Israeli Economy: Maturing through Crises*, Cambridge Mass. Harvard University Press, 1986, p. 29
17. Yossi Beilin, *Roots of Israeli Industry* (Hebrew), Jerusalem Keter, 1987, p. 64.
18. Chill, op. cit.
19. Beilin, op. cit. p. 84.
20. CZA, S25/10219.
21. CZA, S25/7309.
22. Ibid.
23. Ibid.
24. CZA, S8/356.
25. CZA, S53/1218.
26. Ibid.
27. CZA, S25/356.
28. CZA, S25/7309.
29. CZA, S8/356.
30. Ibid.
31. Beilin, op. cit. p. 95.
32. CZA, S8/356.
33. Ibid.
34. CZA, S25/7310.
35. Beilin, op. cit.
36. Haim Barkai, *The Genesis of the Israeli Economy* (Hebrew), Jerusalem, the Maurice

Falk Institute for Economic Research in Israel, and the Department of Economics at the Hebrew University in Jerusalem, December 1983, pp. 8-9.

37. *Resolutions and Declarations of the Security Council, 1951*, New York, United Nations, 1965, p. 11.

38. *Jerusalem Post*, 27 November and 12 December 1952.

39. *Ibid.* 23 January 1953.

40. To the present day it is frequently difficult to separate purely commercial reasons and boycott causes for companies refusing to do business in and with Israel.

41. Nicholas Balabkins, *West German Reparations to Israel*, New Jersey, Rutgers University Press, 1971, p. 147.

42. *Ibid.* pp. 145-6.

43. See Susan Hattis Rolef, "The Middle East Policy of the Federal Republic of Germany," *Jerusalem Papers on Peace Problems*, No. 39, Jerusalem, the Magnes Press, 1985, pp. 41-2.

44. Unless otherwise indicated the information below was obtained from informal discussions with various personalities who were involved in the boycott issue in the early 1950s.

45. Thirty years later this was still the basic British attitude.

46. It is interesting to note that to the present day various European governments still condition their willingness to join an anti-boycott initiative on the other West European governments, or all the western industrialized states, being part of it.

47. Israel State Archives (ISA), Ministry of Commerce and Industry files, 48/54/170/1 נה, box 4593/2.

48. Minutes of the 11th session of the Economic Commission for Europe, which opened on April 5, 1956.

49. The ICC was to become one of the more sympathetic forums to Israel's position, at least until the early 1970s, when several Arab states joined it.

50. In fact, it was only in the 1960s that this was effectively implemented.

51. *The 24th Zionist Congress—Stenographic Report* (Hebrew), Jerusalem, WZO Executive Publications, 1957, p. 475. The full resolution reads as follows:

(1) This Congress takes a serious view of the continuous economic warfare carried out by the Arab States against the State of Israel by means of boycott, using methods of intimidation and blackmail through a network of boycott-committees throughout the world, and by means of blockade, interference with freedom of sea and air traffic and trade, violating most flagrantly the freedom of passage of ships through the Suez Canal and to Eilat.

(2) These measures are directed not only against the State of Israel, but also against the Jewish people as a whole. Modelled on the pattern of Nazi methods and propaganda, they bear in every respect the character of racial discrimination.

(3) This Congress strongly condemns this economic aggression which constitutes a violation of fundamental human rights and basic principles of the United Nations.

(4) This Congress expresses its regret that some governments, as a result of short-sighted expediency, yield to Arab pressure even to the extent of discrimination against their own citizens and contravention of internationally accepted principles.

(5) This Congress protests and declares that the Jewish people cannot remain passive to the fact that some shipping companies, airlines and other business firms are submitting to Arab intimidation in utter disregard of internationally accepted commercial practices.

(6) This Congress calls on the Jewish people and on world opinion to thwart

by a common effort this campaign of hatred, blockade, boycott, political instigation and racial discrimination.

(7) This Congress instructs the Executive to take all steps necessary to counter and to combat these hostile and destructive forces which threaten to undermine peaceful relations among the nations of the world.

52. Ibid. p. 476.
53. Unless otherwise indicated the information which follows comes from file CZA, S38/47.
54. Memorandum by the Jewish Agency External Relations Department dated 10 July 1957, in CZA, S60/580.
55. CZA, S38/47.
56. CZA, S60/580.
57. Terence Prittie and Walter Henry Nelson, *The Economic War against the Jews*, London, Secker & Warburg, 1978, p. 96.
58. *Jerusalem Post*, 20 August 1957.
59. *Davar*, 9 August 1957.
60. *Ha'aretz*, 11 August 1957.
61. Like all other important ministries in the 1950s and 1960s so the Ministry of Foreign Affairs was a Mapai stronghold.
62. *Ha'boker*, 14 August 1957.
63. *Davar*, 6 September 1957.
64. Undated memorandum prepared by Meir Grossman after the 25th Zionist Congress which met from 27 December 1960 to 11 January 1961, CZA S38/46. See below p.
65. *Jerusalem Post*, 29 January 1958.
66. Ibid. 18 December 1957.
67. Ibid. 6 April 1959.
68. Ibid. 24 May 1959.
69. Ibid. 25 September 1959.
70. *Knesset Minutes* (Hebrew), Vol. 29, p. 1293.
71. Prittie and Nelson, op. cit. p. 139.
72. *Knesset Minutes* (Hebrew), Vol. 28, p. 413.
73. I was unable to find any document which explained the reasons for the Committee's demise, but these may be extrapolated from the available information. They included differences of opinion between the Ministry of Foreign Affairs and the External Relations Department of the Jewish Agency, lack of cooperation by the Zionist Federations abroad and lack of the necessary means and tools to carry out anti-boycott activities effectively.
74. CZA, S38/46.
75. *The 25th Zionist Congress—Stenographic Report*, (Hebrew), Jerusalem, WZO Executive Publications, 1961, pp. 103-4.
76. Ibid. p. 620.
77. The information which follows is based, unless otherwise indicated, on an interview held by the author on 26 December 1985 with Efraim Eilon, who worked with David Shaltiel and later headed the *Matmach* for a brief period in 1964.
78. For details see Prittie and Nelson op. cit. pp. 60-3.
79. Report by Minister of Foreign Affairs Golda Meir to the Knesset on 23 May 1960, *Knesset Minutes* (Hebrew), Vol. 29 p. 1297.
80. *Jerusalem Post*, 10 November 1963.
81. Eilon had no idea that such ideas had been raised before. In fact, he told the author in June 1988, that he was unaware that the boycott issue had been dealt with before the *Matmach* was set up.
82. On 3 June 1982, when he was Israel's Ambassador to London, Argov was shot by a Palestinian terrorist. This incident was Israel's formal reason for embarking on the Lebanese war.
83. The information which follows is based, unless otherwise indicated, on an interview held by the author on 8 January 1986 with Binyamin Navon who represented the *Matmach* in New York in the years 1962-64.

84. For details of the Coca-Cola case see Prittie and Nelson op. cit. pp. 52-55.
85. For details of the British Leyland case see Chill op. cit. pp. 18-22, and Prittie and Nelson op. cit. pp. 168-173.
86. Will Maslow, "Enforcement of the U.S. Anti-Boycott Laws," in Rolef ed. *Freedom of Trade and the Arab Boycott*, op. cit. p. 82, and Prittie and Nelson op. cit. pp. 94-95. The anti-trust suit against Bechtel was in fact settled before trial, and Bechtel consented to a decree forbidding it to refuse to deal with blacklisted companies.
87. In the 1950s it was the American Jewish Congress which was the most active on the boycott issue. In 1957 Will Maslow and Isaac Toubin had prepared a memorandum on the boycott which was sent to the External Relations Department of the Jewish Agency. See CZA, S38/46.
88. The information which follows is based on an interview held by the author on 13 June 1988 with Dr. Zevi Dienststein, who was joint head of the Investment Authority in the Ministry of Finance and of the Investment Centre in the Ministry of Commerce and Industry in the years 1960-64, and Deputy Minister of Finance in 1967-70.
89. It should be recalled that overt American arms sales to Israel began during the Kennedy Administration.
90. *Jerusalem Post*, 4 May 1960.
91. Ibid. 30 June 1961.
92. The information which follows is based, unless otherwise indicated, on an interview held by the author on January 2, 1986 with Avigdor Dagan who headed the *Matmach* in the years 1964-6.
93. Losman, op. cit. p. 65.
94. *Knesset Minutes* (Hebrew), Vol. 42, p. 1060.
95. Eban listed the U.S., Britain, Australia, Denmark, Belgium and West Germany.
96. *Knesset Minutes* (Hebrew) op. cit. pp. 1061-2.
97. *Jerusalem Post*, 2 February 1965.
98. Abba Eban, "The Answer to (sic) Arab Boycott," *The Israel Yearbook*, 1966, Tel-Aviv, Israel Yearbook Publications Ltd. 1967, p. 20.
99. Avigdor Dagan, "The Arab Boycott," *The Israel Yearbook*, 1966, op. cit. p. 252.
100. Ibid. p. 251.
101. The information which follows is based, unless otherwise indicated, on an interview which Yuval Elizur gave Dr. Re'udor Manor, of the Recorded History Section of the Davis Institute for International Relations at the Hebrew University in Jerusalem, on 5 March 1985.
102. *Jerusalem Post*, 27 January 1965.
103. This comment was offered by one of the personalities who was involved in the policy making process in the 1950s and 1960s but asked not to be mentioned by name.
104. For details on the Hilton case see Prittie and Nelson op. cit. pp. 179-81.
105. *Jerusalem Post*, 7 February 1965.
106. See Howard Stanislawski, "The Impact of the Arab Boycott of Israel on the United States and Canada," in Leyton-Brown ed. op. cit. p. 228.
107. Ibid. pp. 228-9.
108. *Jerusalem Post*, 5 May 1967.
109. Negative certificates of origin are documents which state that a particular product was not manufactured in a certain country (in this case Israel), does not include components and raw materials from this country, and is not connected with it in any other way.
110. Article XI of GATT states that: "No prohibition or restriction other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party..."
111. M. Shaton, "GATT and the Arab Boycott," in Rolef, op. cit. pp. 111-112.
112. *Knesset Minutes* (Hebrew), Vol. 59, p. 299.
113. Ibid. Vol 61, p. 3278.
114. Nassi was preceded by Arie Ilan (1967), David Z. Tashar (1968-69), and Tuvia Araza (1970).
115. The information which follows is based on an interview with Yehuda Nassi held on 12 July 1988.

116. Margaret P. Doxey stated in her book: *Economic Sanctions and International Enforcement*, 2nd edition, New York, Oxford University Press for the Royal Institute of International Affairs, 1980, on p. 22 that the "anti-boycott office," as she called it, was abolished in 1971. This information, which has been widely quoted, has no foundation in reality.

117. *Jerusalem Post*, 25 February 1975.

118. *Knesset Minutes* (Hebrew), Vol. 73, p. 1866.

119. *Jerusalem Post*, 13 May 1975.

120. *Ha'aretz*, 5 January 1979.

121. *Knesset Minutes* (Hebrew), Vol. 75, p. 349.

122. Dan Chill recounts that in November 1975 Morton had been cited for contempt by the House of Representatives Sub-committee on Oversight and Investigations because of his repeated refusal to supply the names of American firms that complied with Arab boycott requirements, but that shortly thereafter, after meeting Bar-Lev, he supplied the information upon being promised by the Subcommittee that the names would be kept confidential. Chill, op. cit. pp. 52-3.

123. *Knesset Minutes*, op. cit. p.350.

124. The information which follows is based, unless otherwise indicated, on interviews held by the author with Yuval Elizur, on 5 February 1986; with Avraham Agmon, founder and first Director of the Economic Warfare Authority (1975-76) and today Director General of the 'Delek' fuel distribution company, on 15 November 1985; and with Danny Halperin, second Director of the Economic Warfare Authority (1976-79), and Economic Minister at the Israeli embassy in Washington D.C. (1979-86), on 26 December 1986.

125. *Jerusalem Post*, 23 March 1975.

126. In the years 1977-79 Efraim Eilon was once again the official in the Ministry of Foreign Affairs responsible for boycott issues.

127. In the Ministry of Industry and Trade the main personality involved was Dr. Yaacov Cohen, Deputy Director General of the Ministry, who as Israeli Ambassador in Tokyo in the 1980s played a role in the effort to combat the boycott in Japan.

128. Danny Halperin, "Combatting the Arab Boycott—an Historical Survey," in Rolef ed., op. cit. pp. 41-2.

129. Another division, which distinguishes between the core primary boycott, the extended primary boycott, the core secondary boycott, the extended secondary boycott, and "a boycott of Zionist sympathizers and Jews," was suggested by Henry J. Steiner in "International Boycotts and Domestic Order," *Texas Law Review*, 54:7, 1976, pp. 1367-70. This, however, was never an operative distinction.

130. *Jerusalem Post*, 19 October 1975.

131. Chill, op. cit. p. 74.

132. Jess Hordes, "The History of Anti-Boycott Legislation in the U.S.," in Rolef ed., op. cit. pp. 65-66.

133. Halperin, op. cit. p. 42.

134. Hordes, op. cit. p. 66.

135. Halperin, op. cit. p. 43.

136. Hordes, op. cit. p. 68.

137. Maslow, op. cit. p. 80.

138. *Jerusalem Post*, 26 March 1976, from an article by Sol Stern first published in the *New Republic*.

139. Hordes, op. cit. p. 69.

140. Maslow, op. cit. pp. 76-77.

141. Terence Prittie, "Britain and the Arab Trade Boycott," in Rolef ed., op. cit. p. 126.

142. For details concerning the French law see Jean-Louis Bismuth, *Le boycottage dans les échanges économiques internationaux au regard du droit*, Paris, Economica, 1980, and David Ruzie, "The French Anti-Boycott Law," *Patterns of Prejudice*, Vol. 11, No 4, July/August, 1977, pp. 4-6.

143. *Knesset Minutes* (Hebrew), Vol. 80, p. 581.

144. *Ibid.* Vol. 85, pp. 2183-4.

145. Non-Jewish declarations are declarations made by companies that they have no Jews on their management or board of directors.

146. Ronnie Naftaniel, "The Arab Boycott in the Netherlands," in Rolef ed., op. cit. pp.121-2.

147. Stanislawski, op. cit. p.239.
148. Ibid.
149. *Jerusalem Post*, 15 February 1977. After being elected President of the Canadian Jewish Congress in 1980, Professor Cotler urged Israelis and the rest of world Jewry to combat the international effort to "delegitimize the Jewish people," and the Canadians to fight against the Arab boycott (*Jerusalem Post*, 8 August 1980).
150. Stanislawski, op. cit. p. 242.
151. *Jerusalem Post*, 23 January 1977.
152. Stanislawski, op. cit. pp. 246-8, and paper on the Arab boycott in Canada prepared by Sheldon Disenhouse for Professor J.G.Castel in the autumn of 1981 and submitted to the 1984 Brussels Seminar. Available in the files of the Economic Warfare Authority.
153. Stanislawski, op. cit. p. 242.
154. *Jerusalem Post*, 14 January 1979, and Stanislawski, op. cit. pp. 243-4
155. The text of articles 85, 86, 100 and 101 of the Treaty of Rome may be found in Rolef, op. cit. pp. 157-8.
156. Daniel Lack, "Anti-Boycott Legislation in Europe," in Rolef ed. op. cit. pp. 96-7.
157. See reply by Minister of Finance Simha Ehrlich to a parliamentary question by Knesset member Shoshana Arbeli Almoslino, on 31 July 1979, Knesset minutes (Hebrew), Vol. 86, p. 3893.
158. In 1977/8 an effort was made to deal with the problem of NCOs through the ICC which had first started to deal with the issue in December 1968. However, nothing concrete came of these efforts. One of the reasons for the failure of this effort was that several Arab states joined the ICC in this period.
159. In the case of GATT the relevant articles are XI, XIII, and XXI. For full text see Rolef, op. cit. pp. 159-60.
160. Unless otherwise indicated this chapter is based on the personal knowledge of the author accumulated in the course of work in and for the Economic Warfare Authority.
161. Article III (3) of the Peace Treaty states that "The Parties agree that the normal relationship established between them will include full recognition, diplomatic, economic and cultural relations, termination of economic boycotts and discriminatory barriers to the free movement of people and goods..."
162. "The Anti-Boycott Policy of the Israel Government," in Rolef ed. op. cit. pp. 52-4.
163. The American corporation General Telephone and Electronics became a partner in the Tadiran electronics corporation in the early 1970s. In the early 1980s GTE and Koor were equal partners, each owning 45% of the shares in Tadiran (10% are owned by the workers). In 1983 GTE sold over half its shares to Koor, and by 1988 it had sold almost all of them. Rumour had it that GTE had decided to walk out of Tadiran due to Arab boycott pressure.
164. *Yediot Aharonot* (Saturday Magazine), 9 September 1988.
165. Shalom Shirman, "The Anti-Boycott Situation in France," in Rolef, op. cit. pp. 119-20.
166. Naftaniel, op. cit.
167. M. Pardes, "The Anti-Boycott Situation in Belgium," in Rolef, op. cit. pp. 133-4.
168. The author privately discussed the issue with a senior member of the legal department of the EEC Commission during a conference on Israeli-European relations held at Bar-Ilan University in May 1984.
169. "Israel-Japanese Economic Relations," address by Ephraim Davrath at a seminar on Israeli-Japanese economic relations, delivered on 27 March 1988.
170. *Jerusalem Post*, 27 June 1988.
171. Michael Brecher defined "high policy" in foreign affairs as policy "made by a small group of men who are authorized by the political system to act on strategic-level issues." *The Foreign Policy System of Israel—Setting, Images, Process*, London, Oxford University Press, 1972, p.211.
172. In an interview with Professor Michael Brecher in April 1966 Professor Don Patinkin stated that economic demand on Israel's foreign policy system "has been spasmodic and uneven in intensity. It has loomed large only in *extremis*, in the 1949-53 period, the most precarious in Israel's economic development. Once the survival problem was overcome, by 1953, it became less and less significant both in the awareness of government leaders and in the policy process." Brecher, op. cit. p.109.
173. See Arnon Gafni, "At the Crossroads," *Spectrum*, Vol.6, No.4, May 1988, and Seev Hirsch, "Economics of Peacemaking," *Spectrum*, Vol. 6, No. 5, June 1988.

174. Article 1.8.8. in the political platform states that "Israel will continue to work in the European capitals against submission to the Arab boycott."

175. For details of the Pepsi-Cola case see Prittie and Nelson, op. cit. pp. 55-6.

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S53/1218.

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S38/46,47.

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