Arab Economic Boycott

The Arab Economic Boycott was initiated in 1946 by the newly formed League of Arab States. The boycott was aimed at preventing the continued growth of the Jewish community in Mandate-era Palestine by boycotting the goods and services produced by Jewish businesses. After Israel's establishment in 1948, the Arab League used the expanded boycott as another form of warfare against the state in an effort to undermine Israel's economic viability.

The Arab boycott operated on several levels, preventing not only Arab trade with Israel, but also barring entry to the Arab market of companies worldwide that sold its goods to Israel. The boycott weakened through the 1980s due to the decline in Arab economic power and significantly following the September 1993 start of the "Oslo Process."

The United States was the only nation in the world to adopt comprehensive anti-boycott legislation. U.S. legislation, passed in 1977, prohibits American citizens or businesses from refusing to do business with Israel at the request of a foreign government, and prohibits furnishing information about business relations with Israel or blacklisted companies at the request of a foreign government.

The actual cost to Israel of the Arab boycott is impossible to quantify, but the Federation of Israeli Chambers of Commerce estimates that Israel's annual exports were 10 percent smaller than might otherwise have been expected.
While the scope and power of the official Arab boycott has lessened in recent decades, organized campaigns by pro-Palestinian groups in Europe and the United States calling for “Boycott, Divestment and Sanctions” of Israel (BDS) which promote grassroots economic sanctions and cultural and academic boycotts against Israel and Israelis have gained momentum. Among these efforts are calls for the boycotting of Israeli goods, campaigns to prevent the participation of Israeli professionals and academics in international conferences and projects, calls to prevent cultural exchanges with Israelis, and initiatives to “divest” university, church and city investment portfolios of companies that do business with Israel. To date, these campaigns have been largely unsuccessful. However they serve the public relations goals of anti-Israel activists by publicly demonizing and singling out Israel. Such boycott initiatives are not covered by American anti-boycott legislation.