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A3-0322/93

REPORT**of the Committee Foreign Affairs and Security****on the political aspects of the economic boycott imposed on
Israel by the Arab States****Rapporteur: Mr Wilhelm PIECYK**

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* Consultation procedure requiring a single reading
** Cooperation procedure (first reading)

**II Cooperation procedure (second reading) requiring the votes of a majority of the current Members of Parliament
*** Parliamentary assent requiring the votes of a majority of the current Members of Parliament

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At its sitting of 13 September 1991, the President of the European Parliament announced that he had referred the motion for a resolution by Mr Prag and others on the Arab economic boycott of Israel (B3-1076/91), pursuant to Rule 63 of the Rules of Procedure (new Rule 45), to the Committee on External Economic Relations as the committee responsible.

In a letter of 25 September 1992, the Committee on Foreign Affairs and Security requested that the motion be referred to it as the committee responsible, on the grounds that a boycott was primarily a political act. On 3 November 1992, the President of the European Parliament agreed to this request and changed the original referral.

On 3 December 1992, the Committee on Foreign Affairs and Security decided to draw up a report and appointed Mr Piecyk rapporteur.

At its meetings of 17 February 1993, 11 June 1993, 1 July 1993, 22 September 1993, 13 October 1993 and 3 November 1993 the committee considered the draft report.

At the last meeting it adopted the motion for a resolution by 17 votes to 0, with 11 abstentions.

The following were present for the vote: Baron Crespo, chairman; Cassanmagnago Cerretti, first vice-chairman; Sir Fred Catherwood, second vice-chairman; Piecyk, rapporteur; Balfe, Bertens, Canavarro, Debatisse (for Lenz - pursuant to Rule 138(2)), Delorozoy, Fernandez Albor, Gaibisso, Guermeur, Kellett-Bowman (for McMillan-Scott - pursuant to Rule 138(2)), Lacaze, Langer, Llorca Vilaplana, Lomas (for Cheysson), Onesta, Oostlander (for Bonetti), Penders, Pöttering, Prag (for Habsburg), Rossetti (for Dury), Sakellariou, Sonneveld (for Bethell - pursuant to Rule 138(2)), Suarez Gonzalez (for Jepsen), Titley, Trivelli and Wettig (for Newens - pursuant to Rule 138(2)).

The report was tabled on 4 November 1993.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A
MOTION FOR A RESOLUTION

on the political aspects of the economic boycott imposed
on Israel by the Arab States

The European Parliament,

- having regard to the motion for a resolution by Mr Prag and others on the Arab economic boycott of Israel (B3-1076/91),
 - having regard to the report of the Committee on Foreign Affairs and Security (A3-0322/93),
 - having regard also to the report of the Committee on External Economic Relations on the Arab economic boycott of Israel (A3-0239/93), which deals with the economic and trade aspects of the boycott,
- A. whereas since 1948, the Arab states have been implementing direct or indirect boycott measures against the State of Israel, which also affect Community firms that want to trade with Israel,
- B. whereas the boycott, which was initially directed against the establishment of the State of Israel, has with time become the symbol of the continued belligerence between Israel and its Arab neighbours, apart from Egypt,
- C. whereas the boycott was strengthened immediately after the Six Day War following the occupation by Israel of the Golan Heights, the West Bank (including East Jerusalem), the Gaza Strip and the Sanai; whereas its maintenance was largely the result of the continued occupation of Arab territories by Israel,
- D. whereas, after the Camp David Agreements, which resulted in the conclusion of a peace treaty between Israel and Egypt and the normalization of relations between the two countries, Israel withdrew from the Egyptian territories it had occupied and Egypt ended its economic boycott of Israel,
- E. whereas the question of the boycott must be considered in conjunction with the peace process which started in Madrid in 1991, and whereas the Declaration of Principles signed by Israel and the PLO on 13 September 1993 should lead to the immediate end of this boycott by the Arab States which had, as its motive, the refusal to recognize the right of Israel to exist.
1. Recalls the Declaration by the European Council of Lisbon (26-27 June 1992) on the Middle East peace process, in which it calls 'upon the members of the Arab League to lift the boycott of trade to Israel, which is incompatible with the spirit of the peace process';
 2. Welcomes the Declaration of Principles signed by Israel and the PLO on 13 September 1993, creating a new momentum in the Middle East, which should eventually lead to a final settlement of the Palestinian question and moreover remove one of the main obstacles to regional cooperation

- between the countries of the Middle East on the basis of reciprocal solidarity;
3. Welcomes the negotiations between Israel and the PLO on improving access from the West Bank to East Jerusalem as a confidence-building measure as part of the peace process;
 4. Considers that a decision by the League of Arab States to lift the boycott would represent an important confidence-building measure which could advance the peace process, just as the decision by the Knesset to lift the ban on contacts between Israeli citizens and the PLO was taken in the context of the secret negotiations in Norway between Israel and the PLO, which led to the Declaration of Principles;
 5. Affirms that the lifting of the primary boycott is mainly a problem between Israel and the Arab states concerned, and that such a decision is a logical step in the peace process since the economic cooperation provided for in the Declaration of Principles is incompatible with the maintenance of the boycott;
 6. Believes, as regards the other types of boycott (second-, third- and even fourth-degree) directly affecting Community firms, that this matter should be negotiated with the Arab partners within the Cooperation Councils with a view to ending them, so that Community firms are no longer penalized by the second-degree boycott, which is an obstacle to international trade, and also requests that any third- or fourth-degree forms which exist should be lifted immediately as they constitute an attack on human rights;
 7. Insists that the continuation of the boycott can only damage the relations of the European Union and its Member States with the countries imposing it;
 8. Urges the Commission to propose preventive legal arrangements which would enable the European Union, on the basis of political criteria drawn up by the Council and/or European Political Cooperation, to protect Community companies from any boycott measures imposed on them by third countries;
 9. Welcomes the fact that the European Union intends to play an active role in supporting and monitoring the current Middle East peace process, in particular by encouraging close cooperation between States in the region, the possible outcome of which could be the establishment of a common market;
 10. Calls for the European Union:
 - to play a still more active part in the Middle East peace process, particularly in the multilateral peace negotiations;
 - to collaborate as of now on the establishment of a development plan for the region, with a view to a peaceful settlement;
 - to hold out the prospect of finance to promote cooperation between all the countries of the region, which will be essential for development in such areas as water management, infrastructure, tourism and so on;

11. Points out that this active role will only be useful and credible if the European Union maintains a form of economic and development policy cooperation based on common principles with all the relevant countries of the region taking part in the multilateral peace negotiations;
12. Instructs its President to forward this resolution to the Commission, the Council, the Israeli Government and Parliament, the Secretary-General of the League of Arab States and the Secretary-General of the Arab Inter-Parliamentary Union.

B
EXPLANATORY STATEMENT

1. The motion for a resolution (B3-1076/91) tabled by Mr Prag and others pursuant to Rule 63 of the Rules of Procedure on the Arab economic boycott of Israel raises a difficult political problem which must be seen in the light of the peace process currently under way in the Middle East and, in particular, the Declaration of Principles signed by Israel and the PLO on 13 September 1993 in Washington.

2. In the motion for a resolution, the authors consider that the boycott imposed by twelve members of the Arab League against Israel constitutes unacceptable interference in EC affairs (since firms which do business with Israel are prohibited from trading with the Arab countries). They add that the secondary and tertiary boycotts are also 'entirely contrary to the spirit and letter of the agreements concluded by the Community with the Maghreb and Mashreq countries'. Lastly, the authors reject the discrimination of race and religion which the boycott produces. They therefore call on the Commission to propose measures outlawing and effectively combating all the unacceptable aspects of the boycott.

3. A boycott is a hindrance to free trade, authorized by international law, in the same way as an embargo. It is a means of pressure or of non-violent retaliation duly decided on by countries at war and accepted in international law. It is a measure allowed by Article XXI of GATT.

4. The Arab boycott of Israel began even before the State of Israel was founded, in response to the boycott of Arab workers on the lands acquired in Palestine by the Jewish National Fund. Its aim was to weaken economically the colonies being established in those lands with the avowed aim of creating a Jewish state in Palestine.

5. The boycott, coordinated by the League of Arab States, came into being officially in December 1945. It was stepped up in 1948 and then again in 1951 when the League of Arab States adopted a recommendation in response to Israel's refusal to allow the 750 000 Palestinian refugees of 1948 to return to their lands or provide them with due compensation in accordance with Resolution 194 of the United Nations Security Council (11 December 1948). The following year, the Arab League set up a boycott bureau in Damascus. This bureau still exists.

6. The Arab boycott was stepped up considerably by the Arab States in direct conflict with Israel following Israel's occupation in 1967 of the whole of Palestine, the Syrian Golan Heights and the Egyptian Sinai and after Israel began to establish settlements in those areas in breach of Article 49 of the Fourth Geneva Convention to which it is a signatory. Following the Israeli occupation, many decrees issued by the military authorities have made the territories totally dependent on the Israeli economy while at the same time preventing the Palestinian economy from competing with the Israeli economy. The Israeli authorities have not allowed Palestinian firms to import directly products purchased on the international market, particularly the European market, and have long been opposed to the export of Palestinian products to Europe. Thus, the official Israeli organization for agricultural exports is putting pressure on potential European importers of Palestinian products to boycott such products.

7. The Arab boycott operates on two official levels:

- primary boycott: the Arab countries refrain from trading directly with Israel;
- secondary boycott: the Arab countries refuse to trade with certain firms which, because of the scale or nature of links with Israel, would strengthen Israel's military-economic potential.

8. In addition, the boycott of Israel appears to operate on two other levels. First, there is a de facto third level of boycott for which the boycott bureau does not make provision and which it does not monitor: certain firms avoid doing business with other firms which are reputed to be included on the black list. Lastly, according to the Anti-Boycott Department of the Israeli Foreign Ministry, there is a kind of fourth-degree personal boycott aimed at companies whose senior executives include prominent Jews. The Arab League nevertheless denies that such a boycott exists.

9. In 1977 the US Congress adopted a law (known as the Export Administration Act) providing for a company practising a boycott not decided on by the United States towards a friendly country to be prosecuted. This law was clearly targeted at the Arab boycott of Israel. Since then, the United States have tried to encourage European countries to adopt similar laws.

10. Following various initiatives by the World Jewish Congress, the Commission of the European Communities carried out an inquiry into the boycott based on Council Regulation (EEC) No. 17/62. From the information compiled during the inquiry, which was completed in 1982, Community trade did not appear to have been substantially affected by the boycott measures undertaken by the Arab States. No action was therefore taken following the inquiry. Moreover, there have been no specific complaints made in connection with the implementation of the rules of competition of the EEC Treaty or implementation of the bilateral agreements concluded between the Community and most of the Mediterranean countries.

11. Two European countries have adopted 'anti-boycott' laws which in practice, however, have hardly been applied: France (in 1977, with an amendment to the law in 1981) and Germany (in 1990). A bill was also debated in 1982 in the Netherlands but was rejected.

12. It is undeniable that the Arab boycott is affecting the Israeli economy but the only information available in this connection is one-sided. A study by the Federation of Israeli Chambers of Commerce published in 1992 by the Jerusalem Post puts foreign investment losses and Israeli trade opportunities lost as a result of the Arab boycott at US \$ 45 billion for the period 1952-1992.

13. The recommendations of the boycott Bureau have never been uniformly applied by the Arab countries and the boycott itself has become less rigid in recent years. Moreover, Egypt no longer applies the boycott. In actual fact, the boycott is now only applied by those Middle Eastern Arab countries for which the Palestinian issue is particularly sensitive owing to their proximity to the conflict zone.

14. Following the recent Gulf War, the Gulf Cooperation Council countries proposed to lift the boycott in exchange for a total freeze on Israeli settlements in the Occupied Territories.

15. This matter is still under negotiation between Israel and its Arab neighbours, which have on many occasions declared themselves prepared to lift

the boycott in exchange for genuine concessions on the part of Israel. The twelve Community Member States for their part have repeatedly called for Israeli confidence-building measures to go hand-in-hand with a lifting of the boycott.

16. All this goes to show that the Arab boycott of Israel requires a political solution which is therefore closely linked to the peace process currently under way.

17. The report by Mr Sonneveld, rapporteur for the Committee on External Economic Relations (A3-0239/93), looked at the commercial aspects of the Arab boycott in considerable detail. It focused in particular on the effects of the boycott from the point of view of Community legislation. It also showed that the United States anti-boycott legislation contained in the 1977 Export Administration Act (EAA) has not had any adverse effects on US trade. However, it should be pointed out that this law provides for exemptions which rob it somewhat of its impact.

18. The Committee on Foreign Affairs and Security refers to the declaration of the Lisbon European Council (26-27 June 1992) on the Middle East peace process which called on 'the members of the Arab League to lift the boycott of trade to Israel, which is incompatible with the spirit of the peace process'. However, in that declaration, the European Council stipulated the conditions which might lead to peace.

These conditions were the following:

- a just and lasting agreement must be based on United Nations Security Council Resolutions 242 and 338, which enshrine the principle of land for peace. It should provide for the security of all states in the region, including Israel, within recognized and guaranteed borders, and for the Palestinian people to exercise their right to self-determination;
- all parties must commit themselves within the peace process to refraining from all acts of violence and avoiding any action likely to endanger the negotiations or to threaten the climate of confidence. The Israeli Government and the Arab parties should act quickly to implement confidence-building measures;
- there should be a halt to the building and expansion of Israeli settlements in the Occupied Territories, including East Jerusalem, which are illegal under international law. The provisions of the Fourth Geneva Convention should be fully applied. The European Council also called upon members of the Arab League to lift the boycott of trade to Israel, which is incompatible with the spirit of the peace process.

19. The Declaration of Principles signed by Israel and the PLO on 13 September 1993 is an important step towards the establishment of a just and lasting peace in the Middle East. It should, in principle, lead the League of Arab States to lift the boycott, which is incompatible with the establishment of regional economic cooperation, as provided for in the Declaration, the possible outcome of which could be the setting-up of a common market between the States of the region.

As regards the boycott itself, the Committee on Foreign Affairs and Security wishes to affirm certain principles which must guide the Community's actions in relation to the Arab boycott.

- (a) The primary boycott imposed by the Arab States against Israel is a weapon of war authorized by GATT. It is not to be condemned in itself as long as a state of war exists between the parties. It is up to the parties to put an end to the boycott either at the close of the peace process or as a confidence-building measure within the framework of the peace process. As mentioned above, this boycott is an anachronism in the light of the Declaration of Principles of 13 September 1993.
- (b) The secondary boycott, which aims to prevent firms from third countries trading with Israel, is an attack upon free trade and is therefore contrary to international law. The Commission could set out very clear principles and propose anti-boycott legislation to the Council, provided such legislation is deemed to be politically suitable. As the European Union is prepared to play a constructive and active role in the Middle East peace process, particularly in promoting regional cooperation between the parties concerned, it could persuade the Arab countries to put an end to discriminatory measures against Community firms.
- (c) The tertiary boycott and, more particularly, the fourth-degree boycott are unacceptable. The Council must reiterate this position in the cooperation councils set up under the cooperation agreements concluded between the European Community and the Arab countries; in particular, it should condemn any type of racist allusion.

20. The two sides - Arab and Israeli - recently took a decisive and courageous step towards the establishment of a just and lasting peace. The Declaration of Principles of 13 September 1993, in particular, has opened up the possibility of a settlement of the Palestinian question which respects Israel's right to exist. This initial agreement must now be followed by further agreements between Israel and its Arab neighbours to put an end to 46 years of war. The use of force must be replaced by regional cooperation for the benefit of the communities concerned. This will also be the best means of combating the fundamentalist movements which are gaining ground in the region, since Islamic fundamentalism breeds on the Israeli-Palestinian conflict, the resulting frustrations and material and moral poverty, especially in the refugee camps.

21. Bringing the peace process to a successful conclusion will require further patience and courage. However, there is now a genuine possibility of putting an end to the war in this region of the Middle East and tackling the real problems such as overpopulation, economic underdevelopment (whose corollary is the rise of religious fundamentalism) and the management of water resources. The Arab boycott therefore appears to be a complete anachronism in this new geo-political perspective, as Israel and its Arab neighbours must instead pool their resources and their know-how to work together to develop the Middle East region which was formerly so wealthy and formed the cradle of civilization.

22. Lifting the boycott would be an important gesture by the League of Arab States towards not only Israel but also the Palestinians who, in the transitional stage which has now opened and will continue until the final settlement of the Palestinian question, will have to cooperate with Israelis in all areas - including the economy - to implement the Declaration of Principles of 13 September 1993. Indeed, rather than simply a political gesture, a decision to lift the Arab boycott will be seen as a sign of willingness of Arab League countries to make the Middle East a region where peace will have finally triumphed over the use of force.

MOTION FOR A RESOLUTION (B3-1076/91)

tabled pursuant to Rule 63 of the Rules of Procedure
by the following Members: PRAG, DIEZ DE RIVERA, ICAZA, HABSBURG, PROUT, BEUMER,
FONTAINE, DE VRIES, BERTENS, FORD and MAHER

on the Arab economic boycott of Israel

The European Parliament,

- A. whereas twelve Arab League countries maintain an economic boycott of Israel under which, inter alia, they refuse to trade with Israel (primary boycott); prohibit trade with firms in non-Arab countries, which do business with Israel (secondary boycott); blacklist anyone doing business with blacklisted firms (tertiary boycott); and ask firms wishing to trade with them whether any of their members are Zionists,
- B. whereas exercise of the boycott produces self-evident restriction and distortion of competition between the Member States,
- C. noting that the secondary and tertiary boycotts are 'entirely contrary to the spirit and letter of the agreements concluded by the Community with the Maghreb and Mashreq countries'¹,
- D. whereas the EEC Treaty requires that the common commercial policy be based on uniform principles, and that the Commission recommend the methods for the requisite cooperation between Member States,
 1. Regards as an unacceptable interference in EC affairs the boycott's secondary and tertiary aspects;
 2. Regrets the wide variation in adequacy, and effectiveness, of the legislation of some Member States in this respect, and the total absence of legislation in most Member States;
 3. Considers this situation unacceptable in a Community responsible for a common external trade policy;
 4. Totally rejects the discrimination of race and religion which the boycott produces;
 5. Calls on the Commission to propose measures outlawing and effectively combating all the unacceptable aspects of the boycott.

¹ Claude Cheysson (then Commissioner) in April 1985

