



Economic Diplomacy and Conflict Resolution: Harnessing the Economic Peace Leverage Theory in the Palestine-Israel Context

Mochammad Fahlevi

Management Department, BINUS Online Learning, Bina Nusantara University, Jakarta 11480, Indonesia

Corresponding Author: mochammad.fahlevi@binus.ac.id

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ABSTRACT

The Palestine-Israel conflict, commencing on October 7th, has led to significant human and economic repercussions, with Palestine facing dire economic challenges exacerbated by multiple factors, and Israel experiencing disruptions in sectors such as construction. The paper delves into the Economic Peace Leverage Theory (EPLT), positing that economic tools can foster peace and reduce conflicts. The global Boycott, Divestment, and Sanctions (BDS) movement, aiming to influence Israel's policies towards Palestinians, aligns with EPLT's principles, drawing from historical instances like the South African anti-apartheid struggle. Despite Israel's resilient economy, BDS holds symbolic significance, influencing global narratives. The paper emphasizes that the real impact of BDS lies more in its perceptual influence than economic setbacks for Israel. To harness EPLT's potential and address the root concerns of the BDS movement, a collective global effort is vital. Such collaboration can pave the way for sustained peace and prosperity in the region.

Keywords: Palestine-Israel conflict, Economic Peace Leverage Theory, Boycott, Divestment, and Sanctions.

1. INTRODUCTION

Since the onset of the conflict between Palestine and Israel on October 7th, a devastating human toll has emerged. Approximately 10,000 individuals, including women and children, have tragically lost their lives (Gadzo et al., 2023). This immediate loss is compounded by the profound socio-economic consequences of the war, manifested in disrupted economic activities, a decline in investor confidence, and the stagnation of regional development. The economic challenges facing Palestine are evident (Alissa, 2007). Factors such as limited access to resources, trade and movement restrictions resulting from the Israeli blockade, and the repetitive cycle of conflicts severely curtail Palestine's economic growth potential (Malkawi, 2009). Despite being heavily dependent on international aid, remittances, and employment in the public sector, the region is grappling with a notably high unemployment rate, especially among the youth. Given its dominant service sector, reduced agricultural output, and restricted manufacturing capabilities, the prospects for economic diversification in Palestine appear limited (Marzin et al., 2019; Shikaki, 2021).

In contrast, Israel, as an Organisation for Economic Co-operation and Development (OECD) member, stands as a developed and technologically advanced market economy, often dubbed the "Start-up Nation" (Maggor, 2020). While it does have a diversified economic landscape with prominent sectors like technology, pharmaceuticals, and agriculture, Israel still faces challenges such as high living costs and significant economic inequalities (Manos & Gidron, 2021). In 2021, Israel cemented its position in the global economic sphere, securing the 28th rank in GDP metrics (Rogala-Lewicki, 2022). Its GDP per capita aligned it closely with several Western European countries. The country's trade profile, marked by key exports such as diamonds and integrated circuits, combined with its pivotal geopolitical location, accentuates its economic importance.

Following the severe conflict between Palestine and Israel, global attention has refocused on the Boycott, Divestment, and Sanctions (BDS) movement (Bueckert, 2020). From an economic perspective, BDS targets Israel's financial structure. Politically, it endeavors to reframe global perceptions and sway diplomatic relationships. Legally, the movement pushes for adherence to international statutes and standards, and technologically, it harnesses contemporary platforms for widespread mobilization and dissemination of information.

The Economic Peace Leverage Theory (EPLT) underscores the potential of leveraging economic instruments and partnerships to cultivate peace and reduce conflicts. Central to EPLT is the idea that nations with strong economic ties are less likely to engage in hostilities. The theory posits that economic sanctions and incentives can act as deterrents to negative actions and facilitate peaceful coexistence. EPLT further sheds light on the transformative potential of investments in conflict-ridden regions, advocating that fostering economic opportunities can address the underlying causes of many confrontations. Additionally, by extending debt relief and financial assistance, nations can diminish global strife and facilitate a more seamless integration into the global economy. Economic diplomacy, where commerce and economic connections are harnessed to bolster diplomatic ties and ease discord, is also a key tenet of EPLT.

However, it's essential to recognize that, to date, there hasn't been a specific theory that formulates a non-violent approach with tangible steps. EPLT bridges this gap, especially for countries with strong ties to Israel. It underscores the importance of exerting economic influence, which serves as the foundation of Israel's military power when it comes to its actions against the Palestinian population. This novel theory offers a peaceful resolution approach, emphasizing resolving conflicts without resorting to war. This stands as an alternative to the failures of the United Nations in preventing wars and curbing the casualties arising from Israel's actions in Palestine (Aljazeera, 2023). In essence, EPLT becomes an integral theoretical approach, converging with various other theories, signifying the central role of economics in shaping global peace dynamics.

2. ECONOMIC IMPACT OF THE PALESTINE-ISRAEL CONFLICT ON ISRAEL

Israel's construction sector, reflecting its relentless urban expansion often at the expense of Palestinian lands (Tanous & Eghbariah, 2022), was a testament to the economic disparities between the two nations before the conflicts that commenced on October 7th. The onset of hostilities brought about pronounced disruptions. Highlighting this is the suspension of massive projects like the Mandarin Oriental hotel in Tel Aviv. This isn't merely about paused construction but symbolizes Israel's unchecked urban ambitions and visions of luxury, often overlooking the rights and aspirations of Palestinians. It's a poignant reminder of the larger issues at play, where over 80% of Israel's construction ventures have been halted (Al Mayadeen, 2023). Such expansive suspensions hint at the broader reverberations of conflicts that stem from deep-rooted injustices. The construction sector's interlinked ecosystem from raw materials, workforce, machinery, transportation, to financial and regulatory aspects underscores the interconnected nature of economies. However, beyond the immediate economic repercussions, the halt affects daily wage workers and material suppliers, emphasizing the human toll of the conflict.

What's more telling is the collective concern of Israel's top economists, including world-renowned figures like Prof. Jacob Frenkel and Nobel laureate Joshua Angrist (Wrobel, 2023). Their collective appeal to the Israeli government isn't just an economic advisory but a stark reminder of the consequences of long-standing policies and actions that have disregarded

Palestinian rights. Their call for a re-evaluation of budgetary priorities in the face of the conflict underscores the broader need for introspection, emphasizing that genuine peace and stability can only be achieved when justice and rights are upheld for all, including Palestinians. In the backdrop of a booming economy, the present conflict reveals the vulnerabilities of an economy built on contested lands and questionable policies. As these leading minds unite in their message, it's not just an acknowledgment of Israel's economic challenges, but also a silent affirmation of the need for more equitable policies and a genuine commitment to peace that respects the rights and aspirations of all inhabitants of the region. In the backdrop of a booming economy, the present conflict reveals the vulnerabilities of an economy built on contested lands and questionable policies. As these leading minds unite in their message, it's not just an acknowledgment of Israel's economic challenges, but also a silent affirmation of the need for more equitable policies and a genuine commitment to peace that respects the rights and aspirations of all inhabitants of the region.

3. ECONOMIC IMPACT AND IMPLICATIONS OF THE BDS MOVEMENT ON ISRAEL IN RELATION TO EPLT

The BDS movement, as an embodiment of peaceful resistance and economic pressure (Mangunda, 2019), aligns significantly with the principles of the EPLT. At its core, EPLT champions the concept that economic tools can be harnessed to achieve peace and mediate conflicts. BDS seeks to leverage this very principle, albeit in a manner of pressurizing Israel to re-evaluate its policies towards Palestinians (Riecke, 2021). This intersection underscores the importance of economic implications as powerful drivers in conflict mediation. Historically, economic pressure has played a pivotal role in inducing political changes, as seen in the South African anti-apartheid struggle (Blumenfeld, 2022). Archbishop Desmond Tutu's identification of parallels between apartheid South Africa and the current situation in Israel provides a historical precedent for BDS (Atkins & Elman, 2021), emphasizing that economic actions can be instrumental in shifting political landscapes. Given this backdrop, the BDS movement's strategy isn't merely punitive; it's symbolic, resonating with the non-violent (Baig, 2022), economically-rooted facets of EPLT.

BDS Spectrum and Global Narratives: BDS isn't solely about economic repercussions; it extends into the cultural and academic realms. High-profile cancellations by artists reflect the movement's success in influencing global narratives and opinion. This aspect of BDS aligns with EPLT's principle of economic diplomacy, which emphasizes leveraging economic connections to bolster diplomatic ties. BDS aims to use these cultural and academic boycotts as channels to reshape global perceptions and, in turn, diplomatic relations. The BDS movement's push for divestment is where EPLT's principles are most evidently applied. By urging entities to retract their financial engagements with Israel, BDS endeavors to shake the foundations of the Israeli economy, potentially pushing Israel to reconsider its policies. Such divestments, as witnessed in

Luxembourg, New Zealand, and Norway, exemplify EPLT's assertion that economic tools can deter undesired behaviors in international relations.

Sanctions lie at the nexus of economics and politics. Within the BDS movement's framework, sanctions represent the epitome of exerting economic pressure to achieve political ends. Advocating for measures ranging from military embargoes to severed diplomatic ties amplifies the BDS movement's alignment with EPLT. Especially when considering the vast US aid to Israel, BDS's focus on altering American policy taps into EPLT's emphasis on utilizing economic relationships to influence diplomatic dynamics. The BDS movement's strategies and objectives resonate deeply with the principles of EPLT. By using economic tools as levers to influence political change, BDS exemplifies the power and potential of economics in mediating and potentially resolving conflicts. EPLT provides a theoretical foundation that validates and amplifies the strategies employed by BDS, emphasizing the intricate weave of economics, diplomacy, and peace.

4. ASSESSING THE REAL IMPACT AND POSSIBLE SOLUTIONS

Assessing the real impact of the BDS movement on Israel presents a multifaceted analysis. At the forefront is Israel's resilient economy, deeply integrated into global dynamics. Despite sporadic financial pressures on specific sectors due to BDS-driven divestments or boycotts, Israel's overall GDP remains relatively unscathed. The nation's economic vitality is attributed to its diversified sectors, including technology, pharmaceuticals, and agriculture. This diversification insulates it from substantial vulnerabilities; if one area faces challenges, others might compensate. Additionally, Israel's staunch alliances, particularly with the U.S., and its reputation as the "Start-up Nation," make it an attractive hub for international investors, further mitigating potential BDS-related economic setbacks.

However, the more profound impact of BDS lies in its symbolic resonance. By drawing analogies with historic movements and foregrounding human rights issues, BDS significantly shapes global narratives. Such perceptual shifts have led various stakeholders, from political entities to cultural icons, to reassess their affiliations with Israel. Addressing this requires Israel to adopt a multi-pronged approach. Open dialogues with BDS advocates can foster understanding, while transparent policy-making, especially concerning Palestinians, might alleviate some of the movement's criticisms. By actively collaborating with Palestinians in diverse fields, Israel can not only manifest a spirit of cooperation but also convey its commitment to mutual growth. To truly diminish the impetus behind BDS, Israel must also address and rectify the core issues that galvanize the movement.

The role of international intermediaries is paramount. Neutral entities can mediate conversations between the conflicting parties, endorse peace-driven initiatives, and ensure that global discourses on the issue remain balanced, thereby preventing undue biases or misinformation, while BDS might not cripple Israel economically, its perceptual ramifications are

considerable. Tackling this demands a synergistic effort from Israel to address root concerns and the global community to champion balanced perspectives and constructive engagements.

5. CONCLUSIONS

The profound implications of the Palestine-Israel conflict, both on the human and economic fronts, necessitate a dynamic, globally inclusive solution. The Economic Peace Leverage Theory (EPLT) emerges as a pivotal strategy in this regard. Central to EPLT is the idea of using economic instruments and partnerships to forge pathways to peace and minimize conflicts. The theory underscores that nations with robust economic interdependencies are less prone to hostilities. By employing economic sanctions and incentives, it's possible to deter negative actions and promote peaceful coexistence, addressing the root causes of confrontations through economic opportunity. However, the efficacy of EPLT as a solution transcends regional or religious boundaries. It mandates a collective, worldwide effort. To truly harness EPLT's potential in resolving the Palestine-Israel conflict, it is imperative that not just Muslim-majority nations, but all countries, regardless of religious or political affiliations, participate actively. A globally unified stance, leveraging economic diplomacy and interdependence, can not only halt the ongoing hostilities but also lay the foundation for lasting peace and prosperity in the region.

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