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Israeli Bank Shares Fall After EU Sanctions Threats

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Israeli bank shares fell by nearly 2.5 per cent on Wednesday after the European Council on Foreign Relations argued that the EU must go beyond labelling products from the occupied West Bank and East Jerusalem, Haaretz has reported.

In a paper released on Wednesday, the council argued that the EU is in breach of its own laws and must move much more firmly to distinguish its dealings with Israel from Israel's activities in the West Bank and East Jerusalem, which the state has occupied since 1967. Following the report's publication, shares in the First International Bank of Israel, Leumi, Hapoalim and Dexia all fell in value.

The report, "EU Differentiation and Israeli Settlements", noted that "under its own regulations and principles, Europe cannot legally escape from its duty to differentiate between Israel and its activities in the occupied Palestinian territories."

European sanctions against Israeli banks are nothing new, but the new proposal would have a more fundamental impact on banking, loans and mortgages, academic qualifications earned in settlement institutions and the tax-exempt status of European charities which deal with Israeli settlements.

Israel's Globes financial newspaper quoted a senior foreign ministry official as pointing out that the report was made by a European research institute and not the EU. "We do not comment on research institute papers," said the anonymous official.

According to another senior official in the banking sector, "The settlements for Europeans [include] Jerusalem and the Golan Heights which affects all banks. We are talking about a threat that is difficult to measure, but it is dramatic. This may turn out to be the most serious threat to banks, and a bigger threat than the Strohm Commission conclusions which aim these days to increase competition in the banking sector."

A spokesperson for the Israeli government insisted that these are the recommendations of an advisory body and not based on an EU decision in itself. "It is better to wait for the decisions themselves, and study their implications instead of panicking from a report published by Reuters." In response, the banking official suggested that the government "does not realise the seriousness of this."

Israel distinguishes between sanctions based on the financial losses incurred, where the first and lightest level is labelling settlement products for what they are, which causes losses to the Israeli economy worth nearly 1 billion shekels annually.

The second level is a boycott of some products produced within the Green (Armistice) Line

— Israel itself — which is causing losses amounting to almost 4.37 billion shekels.

The third level is the abolition of the trade agreement between Israel and the European Union and complete cessation of all Israeli exports which could lead to losses amounting to nearly 80 billion shekels and to over 36,500 workers losing their jobs.

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