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A rapidly growing number of European states have banned imports from Israeli settlements or are preparing to do so. Spain is already implementing its ban, the Netherlands and Ireland will start this month, Belgium and Norway are in various stages of legislation, the UK has announced its own legislative push within the next six to nine months, with France and Canada declaring they would follow suit. Several other countries – Sweden, Poland, Denmark, Finland and Portugal – are seeking to anchor such a move at the EU level, where a Franco-Swedish initiative failed to win majority support in recent months, but remains on the table.

The direct economic damage of such punitive measures to the overall Israeli economy is minor, as long as they are restricted to products originating in the settlements, although it may be severe for certain exporting producers and farmers. **The broader risk is that these measures could spill over into trade with sovereign Israel**, potentially normalizing non-trade with Israel within the Green Line. It lies in a spillover of such bans into the trade with Israel as a result of their over-compliance, de-risking, chilling effect, and informal or de facto boycotting, referred to here as a silent boycott. Although directed against the settlements, **these measures reinforce perceptions of Israel as a pariah state and an undesirable place to do business**. Proof of origin requirements, supply chain checks, responsibilities imposed on European importers, and stringent restrictions on the part of banks, shipping companies, insurers, and distributors may render a transaction with an Israeli company complicated, expensive, and riskier. Current data already point to a chilling effect and “silent boycott” by European importers, and **the risk of their expansion is very real**. What is more, trade with and through the Netherlands and Belgium is particularly sensitive because the ports of Rotterdam and Antwerp also serve as gateways to other European markets. the UK, France, and Canada, for their part, are members of the G7, the group of the world’s leading industrialized countries, and are themselves of major economic importance.

The expansion of sanctions from goods to services poses an additional risk not only to Israel's trade but to its financial stability. Spain, for example, has banned commercial advertising of products and services originating in the settlements. Moreover, the UK has announced plans to ban financing, brokerage, construction services, and more. The details of the legislation in each case will determine the level of risk. The paper will review the measures adopted by different countries and the resulting risks.

This paper examines the economic and commercial implications for Israel of the prohibitions on trade with settlements. The first part comprises background on the European policy of differentiation between Israel and the settlements and previous trade restriction measures. This is followed by a comparison between the laws adopted or promoted in various Western European states. The paper then examines the direct implications for settlement businesses and exports, and the spillover risk for companies operating in sovereign Israel and for the Israeli economy as a whole.

1. The significance of settlements import bans for Israel's economy

The European Union is Israel's largest trading partner. In 2025, it accounted for about 28% of Israel's goods exports, amounting to about NIS 54 billion.² Although the trade bans in question target products originating in settlements and not those manufactured in sovereign Israel, they also pose a risk to businesses operating within the Green Line.

The first risk is the spillover of origin checks at customs points to additional shipments from Israel. This risk is generally localized, temporary, or sporadic, and is particularly significant in countries where the legislation also applies to products containing components or inputs produced in the settlements. Questions about the origin of certain inputs or the location of production sites may prompt customs authorities to request additional information even for products manufactured in sovereign Israel. Such a requirement could also be triggered by an individual customs broker or a particular customs office.³

Over-compliance on the part of importers, banks, shippers, insurance companies, and other links in the business chain poses an additional risk. When legal responsibility rests with European importers, they may require Israeli exporters to sign declarations, submit proof-of-origin documents, provide details of production sites, and disclose supply-chain information beyond what is required by law. The greater the severity of the penalties imposed on the importer, the stronger the incentive to demand more comprehensive proof of origin, and the higher the associated risks and costs.

2 Israel Central Bureau of Statistics (2026), "[Foreign Trade by Countries, Goods, 2025](#)", 20 January. See also European Commission, DG Trade, "[EU trade relations with Israel](#)", 2025.

3 Coordination among port workers' unions was reported across ports in France, Italy, Greece, and Sweden. Shomrim (2025), "[Dockworkers across Europe Work Together to Halt Israeli Arms Shipments](#)," August 7.

This is also where the implications of **transaction costs, reputational costs, chilling effects, and silent boycotts** driven by de-risking considerations come into play. While a comprehensive boycott of sovereign Israel remains politically and publicly contested in Europe, and many mainstream parties continue to distinguish between such a boycott and targeted measures against the occupation, restrictions on trade with settlements enjoy considerably broader public and political legitimacy.⁴

Broadly speaking, legislation banning imports from settlements fuels hostile media debate and amplifies criticism on social media. These, in turn, risk reinforcing general delegitimization of the State of Israel and trade with it. Companies seeking to protect their reputations may decide to reduce exposure to Israel as a whole rather than investigate whether a particular company is connected to the settlements. The more the terms “Israel,” “settlements,” “sanctions,” and “illicit trade” appear together in compliance systems and risk assessments, the more likely it is that Israel as a whole will be perceived as a high-friction commercial destination. This is not an ideological boycott, but rather a matter of de-risking. A bank can tighten requirements, an insurer can raise a premium, a distributor might not renew a contract, and a retail chain could choose another supplier, without such moves being presented as a boycott of Israel. A procurement manager in Europe does not need to support a boycott of Israel in order to prefer an alternative supplier if a transaction with an Israeli company requires verification of production sites, clarification of supply chains, and additional legal advice. The very possibility that other countries will adopt similar bans in the future, as reflected in a statement issued by 12 countries

4 A YouGov poll showed 52% support of the UK’s announcement of a legislative move to ban imports from the settlements, with only 17% disapproval and 31% of respondents who did not have an opinion. Suha Kidwai (2026), [Majority of Britons back UK sanctions on Israeli settlements in West Bank](#), poll finds, 9 September. A 2025 survey in Germany elicited similar findings: 53% favored a ban on settlement imports and only 20% disapproved. But when asked about general economic sanctions on Israel, only 28% were in favor, while 44% were opposed. GIGA (2025), [Gaza, Israel, and German Foreign Policy: A View on Public Opinion](#), Number 7.

when the UK announced its move,⁵ is expected to have a negative impact on the willingness of European entities to enter into long-term contracts with Israeli companies. According to the chairman of the Food Industries Association, “Western Europe is increasingly left without Israeli products” (see section 5 below).

Consideration must also be given to other service providers in the chain. A shipping company, an insurer, a bank, or a trading platform can choose to apply, across the group, the strictest compliance standard applicable in the Netherlands, Spain, or the UK in order to follow a uniform policy across the continent. In such cases, the treatment of an Israeli company will not be determined by the law in the country in which the transaction takes place, but by the strict compliance policies of international corporations and chains.

Therefore, the problem is not limited to the volume of goods exported by industrial parks located in the settlements, such as Barkan and Mishor Adumim. The more important economic question is whether the related identification and enforcement mechanisms will create regulatory, legal, and commercial friction affecting broader segments of Israeli exports, and even services, credit, insurance, shipping, and investments.

5 Foreign, Commonwealth & Development Office (2026), “[Joint Foreign Ministers' Statement on the Two-State Solution](#)”, 8 September.

2. Previous EU restrictions and the meaning of the new ones

Israel and the European Union have had an official system for identifying the origin of products manufactured in the settlements (East Jerusalem, the West Bank, and the Golan Heights) since February 1, 2005. Israeli proof of source indicates the postal code where the production took place, which EU customs authorities check against the list of postal codes ineligible for customs preferences. In other words, a bureaucratic infrastructure to distinguish between products manufactured in sovereign Israel and those made in settlements has already been in place for over two decades. The Israeli government has compensated exporters from the settlements for the EU duties imposed on their goods, limiting the direct economic impact of this customs differentiation.⁶

In November 2015, the European Commission issued a clarification on the labeling of settlement products, but actual implementation was uneven and a 2020 study found different and relatively low levels of enforcement in many markets.⁷ Nonetheless, the customs differentiation, along with BDS activity and other public and commercial pressures, led a number of companies to transfer manufacturing activity from settlements to sovereign Israel in order to maintain access and legitimacy in the European market.

The current trade bans are substantially different from the previous two measures, because while customs duty increases and labeling may undermine demand, an import ban closes the market to settlement goods altogether and its violation is a criminal offense. They constitute a transition

⁶ European Commission, DG TAXUD, “EU-Israel Technical Arrangement”; Maya Sion-Tzidkiyahu and Shira Hirsch (2020), [The Differences between the EU's Differentiation Policy and the BDS Movement](#), Mitvim, p. 2. This arrangement excludes the Golan Heights, and therefore a country that extends the prohibition to the Golan, as the Netherlands did, is required to expand the postal code list.

⁷ EUMEP (2020), *Waiting for Enforcement*, February.

from policies of legal and economic separation between Israel and the territories beyond the Green Line, to a de facto boycott of the settlements.

Why now?

The war in Gaza has brought the Palestinian issue, and the need for a resolution to the Israeli-Palestinian conflict, back to the top of the international agenda, particularly in Western Europe. The Issue has become especially relevant given the current Israeli government’s policy of de facto annexation on an unprecedented scale in the West Bank, including its construction plans for the E1 zone that jeopardize the viability of the two-state solution to which European countries are committed. A significant rise in settler violence, which has resulted in the forced displacement of thousands of Palestinians and has not been adequately addressed by Israeli authorities, has also intensified public and political criticism of Israel. Sanctions against the settlements thus reflect a political climate to which governments respond by translating the criticism into practical measures.

The **July 2024 advisory opinion of the International Court of Justice**, which determined that Israel’s continued presence in the occupied Palestinian territory is unlawful, provided a significant legal basis for expanding the policy of separation between Israel and the occupied territories. It obliges all UN member states to withhold recognition of the situation arising from this unlawful presence and avoid rendering aid or assistance that preserves the occupation. The advisory opinion also reaffirms the distinction that member states must make in their relations with Israel between its sovereign territory and the Occupied Palestinian Territory. In doing so, it provides European countries, which attach major weight to their commitment to international law and the rules-based international order, a legal basis for justifying practical steps intended to prevent economic, commercial, or other contributions to the settlements and Israeli control of the Occupied

Territories.⁸ Here, too, the change in government policy on the territories was a contributing factor to the ICJ's advisory opinion that rather than being a temporary state of affairs, the occupation had become permanent.

It is worth noting that in April 2026, France and Sweden submitted a proposal to the European Commission calling for tougher measures vis-à-vis settlement imports – to the point of banning them altogether. The list of measures they proposed was forwarded to the Trade Commissioner for drafting, but his response was delayed. His proposals were presented only ahead of the Foreign Affairs Council in mid-July. One of the issues the Commission raised was whether the proposal was a trade move or a foreign policy sanction. This was a crucial issue because while a commercial measure requires a qualified majority decision, sanctions require a unanimous decision by all member states. Consequently, the debate among the foreign ministers focused more on the procedure and less on the substance. But according to various reports, about 20 of the 27 ministers asked the Commission in June 2026 to detail the options for restricting imports from the settlements. In other words, the base of support for advancing an EU measure is much broader than the group of countries currently ready for national legislation.⁹ In the absence of a consensus among the 27 member states regarding an import ban at the EU level, some governments have turned to national measures.

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8 Dutch legislation, for example, applies a specific regulatory-legal policy designed to ensure that the Netherlands complies with its obligations under international law. The government emphasizes that there is no change in the overall trade policy vis-à-vis the State of Israel. See Israel's Economic Appendix to the Netherlands, [LinkedIn](#), September 5, 2026.

9 Mared Gwyn Jones et al., [Exclusive: Brussels puts trade ban with Israeli settlements on the table](#), Euronews, 9 July 2026.

3. Bans on imports from Israeli settlements: overview and comparison¹⁰

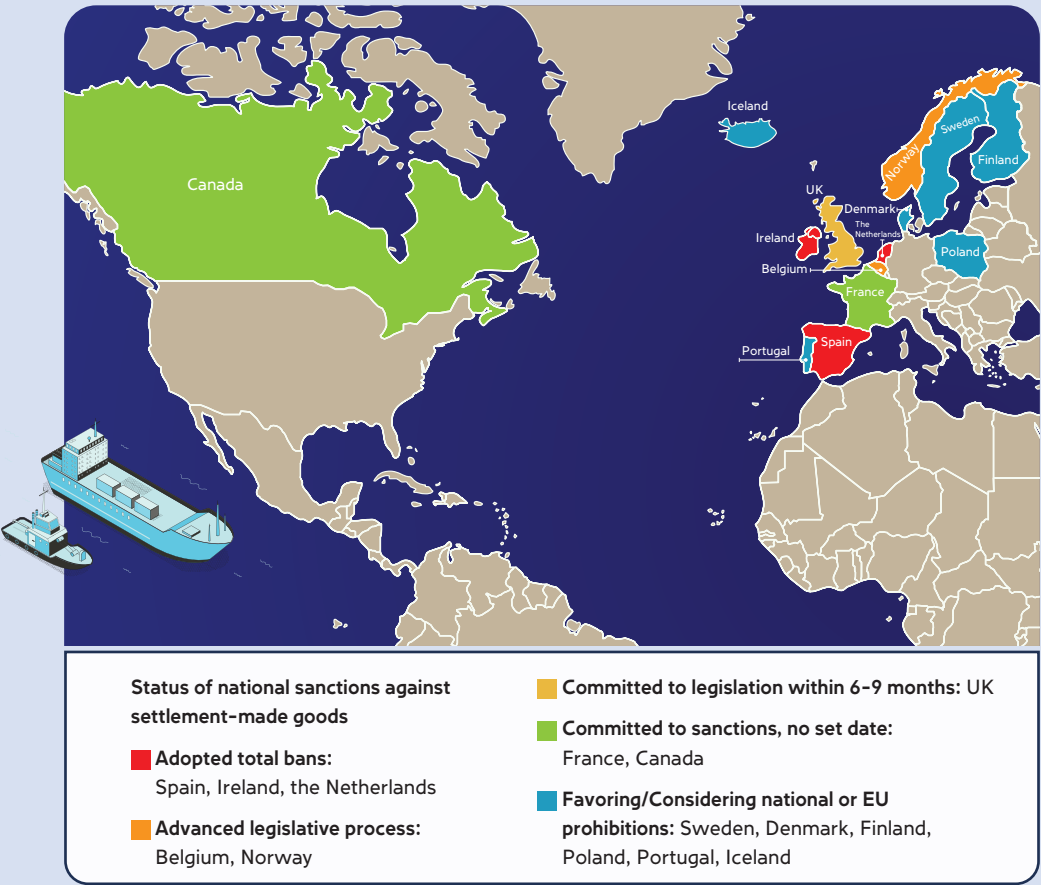
The legality of unilateral import bans by EU member states is not clear-cut. In a 2024 European ruling on the import of agricultural produce from Western Sahara, the EU Court of Justice ruled that a member state is generally not entitled to unilaterally impose an import ban since issues of common trade policy are under the exclusive jurisdiction of the EU.¹¹ This ruling does not automatically nullify the arrangements adopted in Spain, the Netherlands, and other countries regarding Israel because the legal basis and the exceptions on which each country relies require individual examination. Importers are expected to comply with national laws, and may in some cases engage in over-compliance.

This section will review and compare the legislation in Spain, the Netherlands, Ireland, Belgium, the United Kingdom, and Norway (as of early September 2026).

10 This paper excludes Slovenia, where the Golob government of 2025–2026 imposed a settlement import ban, which was rescinded by the new Jansa government. Some businesses are currently considering moving goods by sea to the port of Koper in Slovenia, with the understanding that as long as the current government is in office, no bilateral measures are expected to be taken against Israel or the settlements.

11 Court of Justice of the European Union, Grand Chamber, Confédération paysanne, [Case C-399/22](#), judgment of 4 October

Countries that have banned or intend to ban the import of settlement products and similar measures



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The Spanish procedure demonstrates the speed at which commercial regulation can change when motivated by political will. The government announced its intention to ban the import of products originating in the settlements in September 2025; the decree was drafted and went into effect within less than three weeks, requiring every customs declaration on goods from Israel to indicate the locality and postal code of the products'

origin.¹² Spain has also added a ban on commercial advertising of products and services originating in settlements.¹³ The advertising component is unique to Spain, but other countries, such as the UK, appear interested in adopting it. The Spanish regulation also extends to the way trade and tourism platforms present activity related to the settlements.

As noted, the export of goods from the settlements is very limited in scope, and **this step, like the war, has had almost no impact on the volume of Israeli trade to Spain** between 2023 and 2025. The first two months of 2026 even saw an increase in Israeli exports to Spain, despite government and public opposition to Israel's conduct of the war in Gaza, various security restrictions, and public pressure on Spanish companies.

No official data have been found thus far to indicate a negative effect of the Spanish decree, such as a systematic delay in the entry of goods from sovereign Israel, a widespread abandonment of Israeli suppliers (beyond what may have occurred on the margins two years earlier), or a decline in trade. **At the same time, this measure is hardly risk free, as illustrated in a case of over-compliance by Banco Sabadell, Spain's fourth largest bank.** Following enactment of the regulations, the bank required Israeli customers and Israeli-owned companies to provide documents and declarations not explicitly required in the new decree, details regarding the purpose of fund transfers, invoices, the parties' addresses and locations, and declarations that the goods did not originate in the settlements. In some cases, the bank even demanded of its clients to sign declarations themselves that they do not do business with the settlements. Customers reported that funds were not released as long as the requirements were not met.¹⁴ This case illustrates how a ban on goods can spill over into financial conduct not

12 The EU's existing source identification system is therefore being used for a different purpose than the one for which it was designed. It is an efficient and fast mechanism for distinguishing between goods made within the Green Line and those from the settlements. In this respect it can be viewed as a mechanism that protects or provides security for goods from sovereign Israel.

13 Official State Gazette, [Royal Decree-Law 10/2025](#), 23 September 2025, arts. 3–4.

14 Amir Kurtz (2025), "[The Price of War](#): The Business Life of Israelis in Spain," Calcalist, October 20.

directly included in the legislation. It should be noted, however, that this over-compliance was specific and quickly rectified.



The Netherlands

The Dutch regulation is the strictest and most deterrent of those adopted so far. It was adopted in July, will enter into effect on September 22, and is valid for three years. In addition to the import ban, it prohibits the purchase and sale of goods containing components made in the settlements (no minimum quantitative threshold has been set) and also applies to the Golan Heights.¹⁵ The regulation also prohibits activities aimed at circumventing the ban and providing intermediary services relating to goods from settlements. It bans the purchase or local sale of products from the settlements already available in the EU, and the sale of inventory that entered the Netherlands before the order went into effect. It creates an enforcement mechanism through declarations of origin and criminal liability, which also applies to Dutch citizens and corporations outside the Netherlands. Intentional violation of these restrictions can result in fines, seizure of goods, temporary shutdown of the business involved, and even imprisonment of up to six years.¹⁶ The order does not currently prohibit imports of services or investments in the settlements or purchase of services operating there, but the Cabinet is considering its future expansion.¹⁷

The Dutch regulation places responsibility on the importer to verify the origin of the product, make an explicit, separate declaration in a designated section of the customs form and retain supporting documents. Infringement of the order is a criminal offense and is not limited to the direct importer,

15 The Netherlands is the only country that chose to add the Golan Heights. The original text of the law referred only to the West Bank and East Jerusalem, and was based on the opinion of the International Court of Justice, which deals only with the occupied Palestinian territories. In adding the Golan, the Netherlands cited Security Council Resolution 497 of 1981.

16 RVO, “[Trade measure on doing business in unlawful Israeli settlements](#)”, updated 29 July 2026; Customs Netherlands, “[Trade measure on goods from unlawful Israeli settlements](#)”, updated 30 July 2026.

17 Israel’s Economic and Trade Mission in the Netherlands, [Linkedin](#), July 2026.

but can also apply to intermediaries in the trade chain. This responsibility requires additional declarations and documents from Israeli exporters and more thorough due diligence. Inspections can extend to the factory and input level to determine whether the Israeli manufacturer has more than one production site or uses raw material originating beyond the Green Line. This is where the potential for spillover is very significant for companies whose center of activity is in sovereign Israel.¹⁸

Dutch advisory and enforcement bodies have warned of difficulties in identifying the origin of goods and the **regulatory burden on importers**. They also raised questions about the effectiveness and enforceability of the declaration and the ability to validate it, and suggested that goods originating in the settlements could reach the Netherlands through other EU states.¹⁹ The heavier the regulatory burden and criminal liability, the more likely the importer is to switch to other suppliers, resulting in a “chilling effect” and a shift away from Israeli exporters.²⁰

According to Israel's Economic and Trade Mission to the European Union,

“We are already seeing distributors and business partners asking some Israeli companies to declare where certain products are produced/grown, as well as to provide additional information indicating that the legislation does not apply to their goods. As legislation expands across Europe, the demand for such

18 The economic mission recommended that Israeli companies “map their supply chains, prepare in terms of source documentation, and examine the issue with their legal advisors and Dutch partners as soon as possible.” Israel's Economic Attaché in the Netherlands, [LinkedIn Post](#), August 17, 2026.

19 Advisory Board on Regulatory Pressure (ATR), “Effectiveness of statement on Israeli products could be better substantiated”, 5 June 2026. ATR questioned the effectiveness and enforceability of the required declaration and whether regulatory costs for all importing/trading firms are proportionate. <https://www.adviescollegeregeldruk.nl/actueel/nieuws/2026/06/05/effectiviteit-verklaring-israelische-producten-kan-beter-onderbouwd>

20 ATR, “[Effectiveness of Israeli Products Statement Could Be Better Substantiated](#),” June 5, 2026; Council of State, “Advice on Temporary Sanction Decision on Unlawful Settlements”, 29 June 2026.

declarations will probably increase.”²¹

The Port of Rotterdam issue: The Port of Rotterdam is a test case for whether a national ban can affect regional trade routes.²² Rotterdam is the largest port in Europe and also serves as a gateway for goods destined for Germany, Belgium, France, and other countries. Over 8% of maritime exports from Israel arrive at Dutch ports. Dutch legislation allows goods originating in the settlements to enter Dutch territory under a customs transit procedure when they continue directly to another EU Member State. Similarly, ancillary activities, such as logistical services of unloading, storage, and transportation, are meant to be conducted within the Netherlands. Nonetheless, over-compliance could pose a risk to Israeli exports even if the port is not used as a barrier to the import of settlement products to neighboring countries.²³ The potential effect of the new regulations on Israeli companies that do not operate in the settlements is also of great concern because the legislation also prohibits circumvention and intermediary services. Banks, trading companies, shipping companies, and distributors may adopt an excessively cautious approach, and refuse to handle transactions of goods, the provenance of which is not sufficiently clear.



Members of the Irish parliament have been pushing for legislation prohibiting trade with settlements in any occupied territories (without specifying the territories under Israeli occupation) since 2018. The bill passed its second reading but was subsequently blocked by the Fine Gael government due to claims that it infringes on the exclusive domain of the

21 Yulia Lerner Snir, “[Restrictions on Products from Judea and Samaria, East Jerusalem, and the Golan Heights in Europe: A Status Report – August 2026](#),” Foreign Trade Administration Blog, Ministry of Economy, August 11, 2026.

22 Customs Netherlands, “[Trade measure on goods from unlawful Israeli settlements](#)”, updated 30 July 2026.

23 Customs Netherlands, “[Trade measure goods from unlawful Israeli settlements](#)”, updated 30 July 2026. Includes origin-document codes and rules allowing customs transit to another EU Member State or storage in a customs warehouse. <https://www.douane.nl/onderwerpen/invoer-en-uitvoer/invoer/handelsmaatregel-goederen-uit-onrechtmatige-israelische-nederzettingen/>

EU's trade authority and can only be adopted on a union-wide level, not by an individual member state. Irish proponents of the legislation argued that the ICJ's 2024 opinion, which determined that Israel's continued presence in the occupied Palestinian territory is unlawful, changed the legal situation. At the same time, the war in Gaza and on other fronts exacerbated the political climate. The new government that took office in January 2025 proposed a narrower version of the law, which focuses only on goods. A proposal to include a ban on the import of services from settlements was abandoned due to concern about potential economic damage to Ireland stemming from American anti-boycott legislation and a political clash with the Trump administration. Unlike the Netherlands, Ireland did not expressly provide that a product should be prohibited merely because part of it was produced in a settlement. Nor does the Irish law include a broad prohibition on the local purchase or sale of a product that is already available in the EU market. It applies only to the West Bank and East Jerusalem, not the Golan Heights and the mechanism for identifying imported goods is based on existing postal codes. The law was passed in July. Regulations and implementation guidelines were signed on September 8 and went into force on September 15.²⁴

Ireland has thus adopted the narrowest model from a business perspective, and its potential for spillover affecting all Israeli exporters to Ireland is thus more limited than it is in the Netherlands.

24 [Israeli Settlements in the Occupied Palestinian Territory](#) (Prohibition of Importation of Goods) Act 2026, No. 35; Oireachtas Library & Research Service, Policy and Legislative Briefing Paper, 5 June 2026. For the regulations see [here](#).



The Belgian government approved a draft order banning imports from settlements and submitted it for a legal opinion in July.²⁵ As of early September, the order had not gone into effect. The existing version includes a transition period of 120 days. The proposed model is based on prior approval of imports and rejection of those originating in the settlements, as indicated or suggested in the accompanying documentation. As in the Netherlands, the ban would also apply to products partially produced or processed in settlements. It does not refer to services and investments. The value of goods exported from Israel to Belgium in 2023 was about \$1.5 billion and \$1.3 billion in 2025. It is not known how many of them are from the settlements. The main question is whether the licensing mechanism will be implemented efficiently, objectively and consistently.

Belgium's importance lies not only in the local market. The Port of Antwerp and the air cargo hub in Liege serve as gateways for trade from Israel to neighboring countries. If enforcement is also applied to transit goods, the impact could go beyond direct trade with Belgium, and will oblige Israeli exporters to consider changing shipping routes. Liege Airport specializes, among other things, in perishable cargo, pharmaceuticals, and express freight. Delays of such shipments may cost more than delays of cargo that is not time sensitive. Prior approval should prevent such delays.



Starmer's Labour government began considering a ban on imports from the settlements in 2025, but did not advance relevant legislation. In July 2025, Economy Secretary Bryant set out four measures the government was considering banning the import of goods from the settlements and the exports of goods to them, and prohibiting the export of British services to the settlements and the import of services from them. He also mentioned a ban on services, specifying finance, insurance, architecture, logistics, and

²⁵ Belgian Federal Government, Council of Ministers, "[Introduction of specific regulations for goods from Israeli settlements](#)", 18 July 2026.

the sale of real estate assets.²⁶ Starmer's replacement by Burnham (July 2026) prompted a more aggressive policy towards Israel. Following Israel's issuance of a construction tender for the E1 West Bank zone, the UK government announced that it was preparing a set of measures, including a ban on imports from the settlements, and was also considering a ban on importing services from the settlements. Also under review is a proposal to impose sanctions on companies and organizations that do business or have ties to the settlements.²⁷

On September 8, Foreign Secretary Miliband announced that the government would introduce a new sanctions regime against the settlements since it views the continued Israeli occupation as illegal. In addition to banning the import of goods from settlements, the sanctions would prohibit the advertising and promotion of settlement assets. He added that the UK's sanctions regime would be changed to apply to companies and individuals who support, enable, or profit from settlement expansion in the areas of construction, infrastructure, financing, and real estate, and serious violations of humanitarian law.²⁸ The British legislation, if enacted according to most of Miliband's proposals would extend beyond the other pieces of legislation reviewed here. **France and Canada have joined in announcing plans for similar legislation**, although their timeframe is unclear. **Passage of the UK bill would bring to three the number of G7 countries banning imports from settlements.**

Although the British government expects the legislative process to take between six and nine months, **an official directive has already been issued recommending that businesses** refrain from financial transactions,

26 UK Parliament (2026), "[Israeli Settlements: Trade Ban](#)," Hansard, volume 789: debated 9 July.

27 Imran Mulla, "[Exclusive: UK to announce raft of new policies on Israel including settlement goods ban](#)," Middle East Eye, 12 August 2026.

28 This step is intended, among other things, to address the issue of construction companies submitting bids to build in settlements, primarily for the E1 construction tenders. For details on the global sanctions regime that also applies in the UK, see Maya Sion-Tzidkiyahu (2026), "[The European Union's Global Sanctions Regime on Human Rights and Its Implementation Regarding Extremist Settlers](#)," Mitvim Institute, June.

investments, purchases, procurement, and services, including tourism, in settlements. Therefore, even before the adoption of legislation, a de-risking effect should be expected in the UK, with **banks, insurance companies, chains, and distributors** preferring to avoid the due diligence requirement for every transaction with Israel and switching to other vendors.

Given the UK’s status as one of the world’s largest and most influential economies, and its leading role in finance, insurance, and business services, broad legislation targeting settlement-related activity could have a greater impact than some of the current or planned bans on the continent.²⁹ The effect of the silent boycott is already reflected in retail chains that refuse to sell Made in Israel products from sovereign Israel, such as the Co-Op UK chain, which in June 2025 decided to gradually stop marketing products and components originating in Israel. The chain operates more than 2,300 stores.³⁰

The UK’s importance transcends the domestic market. British financial institutions, insurers, and service companies operate around the world, sometimes adopting uniform group policy. What is more, having exited the European Union, the UK has strengthened its foreign policy ties with the countries of the British Commonwealth, often coordinating its actions vis-à-vis the Israeli government with those of Australia, New Zealand, and Canada. Therefore, other Commonwealth countries could consider joining such measures, as Canada has done.

 Norway

The Norwegian government proposed a relatively wide-ranging bill, called the “Law to Prohibit Trade with Israeli Settlements in Palestine”, in June 2026. The bill is still in the public hearing stage. It includes a ban on imports from the settlements and exports to them, as well as on the purchase of land in settlements, on providing construction, engineering, architecture, and brokerage services in real estate transactions, and on the acquisition of

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29 UK Parliament, Hansard, “Israeli Settlements: Trade Ban”, vol. 789, 9 July 2026.
30 James Davey (2025), “[Britain’s Co-op to stop sourcing from Israel](#),” Reuters, June 24.

businesses headquartered and producing in the settlement. The proposal has not yet been completed, but it reflects a planned transition from labeling requirements and various related trade recommendations to binding prohibitions covering a broader range of business activity.³¹ Under the draft proposal, willful violation of the legislation will constitute a criminal offense punishable by a fine and/or up to three years in prison. The penalty for a negligent violation will be a fine and/or a jail term of up to six months. The punitive measures constitute a significant incentive for importers and other business entities to conduct due diligence in advance regarding the origin of goods.

A comparative summary: The Irish regime is the narrowest, focusing solely on imports of goods from the settlements, and its impact is more political than economic. The Dutch regulation is strict and broad because it also prohibits the purchase and sale of goods originating in the settlements, as well as brokerage services, and also applies to products that originate only partially in the settlements. Norway’s bill is the broadest, including a ban on exports to settlements and on the purchase of real estate and businesses in the settlements. Spain and the United Kingdom also include a ban on advertising. The United Kingdom will expand the sanctions regime to companies that build in settlements, and provide financing and real estate for settlement expansion. All the countries rely on postal code-based mechanisms for identifying the origin of goods, while the Belgian proposal introduces a system of prior import authorization.

The effect of these bills and proposals depends not only on the extent of their restrictions and the scope of direct trade with each country, but also on the position of the various countries in the chains of trade and services. The Netherlands and Belgium, for example, are of logistical importance as gateways to additional European markets, while the United Kingdom, France, and Canada carry significant economic and political weight as G7 members with sizeable economic volume. In the British case, the international weight of the financial, insurance, and business services sectors increases

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31 Norwegian Ministry of Foreign Affairs, “[Proposal for a bill banning trade with Israeli settlements in Palestine](#)” announced for public consultation”, 19 June 2026.

the potential for spillover and over-compliance. A chilling effect and a silent boycott are already evident in this market. Therefore, the main variable is not only the scope of direct exports from the settlements, but also the breadth of business activity to which the prohibitions or sanctions apply, the severity of the enforcement mechanisms, and the extent to which they create due diligence requirements, compliance costs, and a chilling effect on companies operating in sovereign Israel.

4. Direct implications for the settlements

Israeli industrial activity in the West Bank is concentrated in several large industrial zones and smaller adjacent sites. As of 2022, about 35 Israeli-managed industrial zones were operating in Area C of the West Bank, employing about 5,500 Israeli and 14,000 Palestinian workers.³² Mishor Adumim and Barkan are the largest, followed by the Ariel Industrial zone. In all, 45 industrial and agricultural manufacturing companies operate in the settlements.

The Ministry of Economy and the Manufacturers Association provide differing data on exports from the Occupied Territories (in part because the Ministry of Economy also tallies fresh agricultural produce, which includes Jordan Valley date sales to Europe, a sizeable export activity). The Ministry of Economy estimates that out of \$165 billion in Israeli exports in 2025, goods from the Occupied Territories amounted to only about \$250 million (0.15%). According to the Manufacturers Association, exports from the settlements amount to \$56 million in industrial production. The Ministry of Economy puts the scope of exports from the settlements to the UK at \$45 million, while the Manufacturers Association lists \$11 million in industrialized goods exports to the UK.³³ The Association’s estimate of the extent of the damage to settlement exports to Spain, the Netherlands,

32 State Comptroller (2023) Israeli-Administered Industrial Zones in Judea and Samaria – Follow-up Inspection, February, <https://library.mevaker.gov.il/sites/DigitalLibrary/Pages/Reports/7577-11.aspx>. This is an increase from about 20 industrial zones that existed in 2012 and employed about 5,800 Palestinian workers, see State Comptroller (2012), Israeli-Administered Industrial Zones in Judea and Samaria – Aspects of Law Enforcement, May, <https://library.mevaker.gov.il/sites/DigitalLibrary/Pages/Reports/583-60.aspx> According to a 2026 report, the number of Palestinian employees has risen to 18,000. Tamrur Politography research (not published).

33 Itamar Eichner (2026), “Intelligence-Political Failure: Israel Surprised by the Mobilization of the British Sanctions Coalition,” Ynet, September 8. Manufacturers Association (2026), “The Potential Impact on Exports from Judea and Samaria Due to Trade Restrictions in Britain and Other Countries.”

Belgium, and Ireland is \$30 million. Thus, the sanctions affect a small number of companies and take a low financial toll.

Although the impact of such prohibitions on the Israeli economy as a whole is negligible, for a small company, the loss of even a single market or the cancellation of a transaction as a result of the chilling effect/ silent boycott can also be significant. **A minor national impact on employment** can also be significant at the local level, especially in the geographic periphery.³⁴ The impact can also extend to Israeli suppliers and related business services. A local manufacturer needs transportation, packaging, storage, maintenance, cleaning, security, and other services, creating a secondary circle of impact. Reduced commercial activity and employment can also have economic, social, and demographic effects at the local-authority level. While the government created a compensation mechanism for the settlements following the 2005 EU decision differentiating between the customs levied on goods made within the Green Line and those made in settlements, there is no such compensation mechanism in place to address the negative effects of sweeping import bans. Instead, the Ministry of Economy is advising affected businesses to seek alternative markets, and allocating an assistance grant of NIS 200,000 for exporters harmed by the prohibitions.³⁵

Another option is to relocate production to sovereign Israel. This was the solution adopted by the sparkling water manufacturer SodaStream, which transferred its production plant from the Mishor Adumim industrial zone to the Negev in 2015. So did Mul-T-Lock, which moved from the Barkan industrial zone to the central Israeli town of Yavne in 2011, Bagel Bagels that relocated from Barkan to Safed in 2012, Adanim Tea from the settlement of Ofra to the Galilee, and the production line of Ahava cosmetic products moved from Mitzpe Shalem in the West Bank to the area of the Dead Sea kibbutz of Ein Gedi in 2022. As regulatory and public pressure increases,

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34 State Comptroller (2023), [Israeli-Administered Industrial Zones in the Judea and Samaria Region](#), Follow-up Audit, February.

35 Orna Yefet (2026), [“Western Europe is Becoming Less and Less Israeli Products,”](#) Calcalist, September.

more companies may consider similar moves. However, companies with product inputs from the settlements, such as agricultural crops, clearly do not have such options.

Under the Dutch legislation, which also applies to goods partially sourced from the settlements, a factory in sovereign Israel that uses raw materials or components originating beyond the Green Line may be required to present a detailed supply chain. This constitutes one of the main risks of functional spillover, particularly relevant for agricultural produce and food. Barkan Wine Cellars, for example, Israel’s largest winery, has moved from the Barkan industrial zone to Kibbutz Hulda within the Green Line, but if its grapes or other raw materials emanate from settlements, the required proof will not end at the winery’s address. A similar example is a silan (date syrup) producer operating in sovereign Israel that also uses dates from the parts of the Jordan Valley in the West Bank. Such companies seeking to export goods to the Netherlands will be required to prove the source of their inputs and not just of their final production site.

5. Will Israel's economy suffer, and to what extent?

As noted, the direct economic loss to the affected settlements is likely to be minor compared to Israel's overall exports. But the sanctions are generating concern about their chilling effect and spillover to non-settlement goods and manufacturers, excessive compliance by importers, and the spread of the related silent boycott already affecting some Israeli firms.

According to the Bank of Israel, before the Gaza war, exports to countries critical of Israel – defined as those that have recognized a Palestinian state – increased at a similar rate to those sold to moderate countries. But since the war broke out (October 2023), Israeli exports (excluding computer chips³⁶ and diamonds) to countries critical of Israel, including Spain, Ireland, Belgium, France, and Sweden, fell from \$4.7 billion in 2023 to \$4.4 billion in 2024 and \$4.2 billion in 2025, while exports to countries with a moderate attitude toward Israel, including Germany, Italy, and Austria, rose from \$8.3 to \$9.2 billion and \$9.8 billion. The share of critical countries in exports to the EU declined from 38% to 30%. The Bank of Israel estimated that the gap between actual exports to the critical countries and the anticipated exports based on trade with the moderate countries totaled about \$1.5 billion in 2025. The study did not claim to prove causation, but noted that negative sentiment toward Israel may explain some of these findings (see the graph on the next page).³⁷

36 Exports from Israel to Ireland declined significantly between 2023 and 2025 from \$3.4 billion to \$1.5 billion. The most significant drop occurred between 2024 and 2025 due to the shift in Intel's chip exports from Israel, so that instead of passing through Ireland, they would be exported directly to the United States. To avoid distorting the data, chip exports were excluded from the calculation.

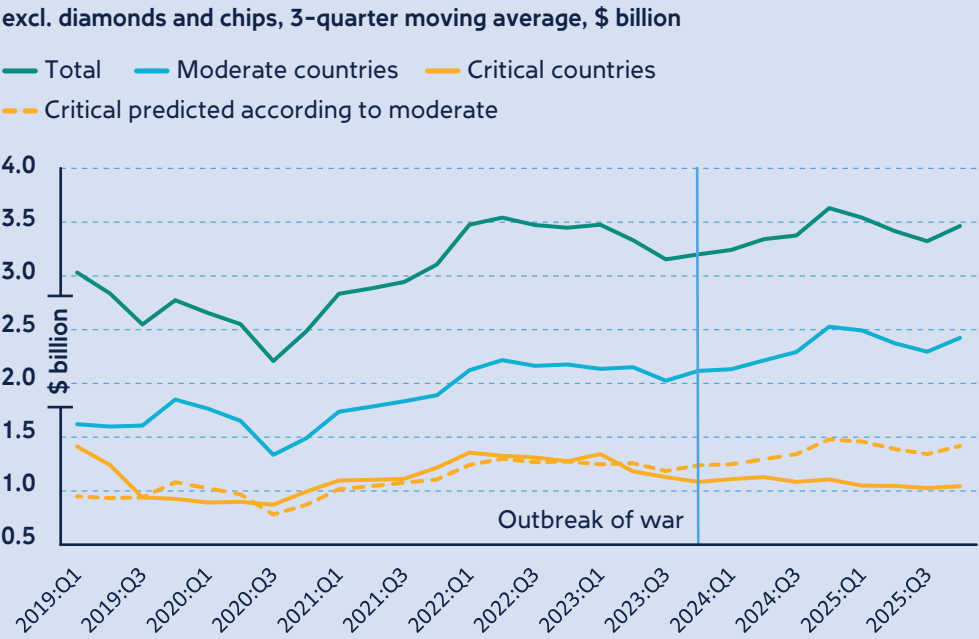
37 Bank of Israel (2026), "[Report 2025](#)," March, pp. 42–43. It should be noted that the Netherlands, for example, was included in the list of moderate countries, while Slovenia was included in the list of critics, illustrating that countries may shift between these groups following a change of government.

However, the impending legislation in the UK, one of the G7 countries and the world’s fifth largest economy (by GDP), and a broad anti-import law, such as the one adopted in the Netherlands, increase both the potential for direct damage to factories and farmers in the settlements and the potential for indirect damage to Israel’s industry and economy. The extent of the damage to the Israeli economy depends on the indirect damage resulting from an increased regulatory burden, spillover, over-compliance, and especially from the chilling effect and silent boycotts, which have demonstrated a stronger impact since 2024.

Israel’s total 2025 industrial exports amounted to about \$56 billion, with exports to Europe accounting for 31% of the total, and exports to the EU amounting to 26.3%. The macroeconomic risks stem from over-compliance, chilling effect to the extent of silent boycott, customer loss due to de-risking and rise of bargain and reputational costs to sovereign-Israeli exports. Based on 2025 Israeli exports of about €15.3 billion to the European Union, a 1% spillover would involve approximately €153 million in annual exports, 3% about €459 million, 5% about €765 million, and 10% about €1.53 billion. These are gross exposure scenarios, not estimates of actual losses. But they illustrate why even a relatively small spillover of the sanctions to Israeli exports can be more significant than the direct damage to settlement trade.³⁸ Some exports could be redirected to other markets.

38 European Commission, DG Trade, “[EU trade relations with Israel](#)”, trade data for 2025.

Figure 1 | Israeli Goods Exports to EU Countries, by Critical Stance Toward Israel 2014–2025



Critical countries are countries that recognized a "Palestinian state" between 2014 and 2025.
SOURCE: Based on Central Bureau of Statistics.

From the Bank of Israel Report for 2025, p. 44.

Three types of costs must be considered in assessing the damage of the current and planned bans. The first is **loss of sales**, when a transaction is canceled or a supplier is replaced. The second is **the cost of compliance**, such as legal fees or legal staff time, source documents, supply chain checks, and additional insurance. The third is **a logistics cost**, when a shipment is delayed, requires storage, or is routed through a different port. Only the first cost immediately shows up as a drop in trade, while the other two can **erode profitability** even before a significant change is detected in export data.

The chairman of the Food Industries Association, Lior Levy, says it has become significantly harder to sell Israeli consumer products to European countries in recent months:

“Buyers abroad don’t want to deal with goods from Israel and aren’t willing to start checking where the Green Line passes. Any company that sells to Europe and to countries that implement regulations on boycotts will be harmed. That means all Israeli exports. **Western Europe is increasingly left without Israeli products. It’s a stressful and major event. This boycott, although it’s on products from the Occupied Territories or the Golan Heights, is already seeping into all Israeli products.**”³⁹

According to Roy Fischer, head of Israel’s Foreign Trade Administration, the boycotts by European countries are blocking about 20 exporters, mainly of fresh produce, dates, salads and irrigation products. **“But when we talk about the chilling effect, we are talking about all Israeli exports, and this can also extend to medical equipment, medicines, and consumer products... An exporter doesn’t always know where the Green Line runs, and this will cool enthusiasm for working with Israel in general.** This is what we have to deal with most firmly.” At the same time, Fischer emphasized that 2025 was a record year for Israeli exports.⁴⁰

Therefore, the most important variable to monitor is not only the value of the goods whose export is blocked because they originate in the settlements, but also whether companies that manufacture in sovereign Israel begin to report new proof-of-origin requirements, delays, refusals by shipping companies, insurance and financing difficulties, cancellation of orders or non-renewal of contracts.

39 Orna Yefet (2026), “[Western Europe Remains Without Israeli Products](#),” Calcalist, September 9.

40 Ibid.

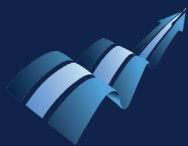
6. Conclusion

The main risk to Israel's economy does not lie in the ban on settlement products per se. As long as the bans remain focused on the settlements, the direct impact on the Israeli economy will be minor on the macroeconomic level, although it could be severe at the level of individual businesses and their workers.

The significant risk is to exports of Israeli-made good or produce. There is evidence in the Netherlands of increased legal requirements resulting from compliance and over-compliance, prompting concern about a chilling effect affecting all exports. There are also examples of over-compliance – albeit temporary – outside the customs area, as was the case with the Spanish bank. The more countries that join such trade bans, the greater the risk of a spreading chilling effect and silent boycott by European importers reluctant to face consumer pressure, criminal sanctions and/or public image erosion. These effects are already being felt in British retail chains.

The sanctions regimes also have a negative impact on the willingness of European entities, especially in Western Europe, to enter into long-term contracts with Israeli companies. Israeli exporters might be required to shift their shipping routes to avoid sanctions affecting destination ports. Above all, the danger lies in the normalization of non-trade with sovereign Israel and the branding of Israel as a pariah state and an undesirable place to do business. The expansion of the measures to the UK, France, and Canada, three G7 members, is of grave concern.

The elections in Israel are critical to halting the growing trend toward bans on imports from the settlements, and especially the chilling effect and the silent boycott. If another far-right government comes to power, the risk of broader trade restrictions by governments, and particularly of a boycott that is no longer so silent and extends to sovereign Israel itself, may increase significantly.



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