



## THE IMPACT OF THE BOYCOTT OF ISRAELI PRODUCTS, BRANDS AND THEIR SUPPORTERS ON THE INDONESIAN ECONOMY

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### ABSTRACT

This study examines the impact of the boycott on the Indonesian economy, focusing specifically on key sectors affected and the broader economic implications. Using a qualitative approach, this research employs literature studies as the primary data collection method. The findings indicate that the boycott has significantly boosted the consumption and production of local products in Indonesia, particularly in the food and textile industries. This increase in local production has the potential to absorb a larger workforce, thereby reducing unemployment. Furthermore, the study highlights the importance of improving the quality of local products and emphasizes the need for continued government support. With these measures, Indonesia's local products could not only strengthen the domestic economy but also enhance their competitiveness on the international stage.

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## 1. INTRODUCTION

The conflict between Palestine and Israel has led to significant loss of life, with nearly nineteen thousand Palestinians killed and fifty-five thousand injured during the Palestinian resistance against Israel on October 7, 2023. In response, there has been a global call to boycott Israeli products and those of its supporting countries, aiming to exert economic pressure by refusing to purchase their goods. The term "boycott" itself, originating from the English word derived from Charles Cunningham Boycott, an estate agent notorious for his exploitative practices during the "Land War" in Ireland around 1880, refers to the organized refusal to engage in trade or cooperation (Kamus Besar Bahasa Indonesia, 2023; Moran, 1986). A boycott is a collective action, often aimed at influencing political or economic outcomes by urging the public to avoid certain goods or services (Friedman, 1985).

Historically, boycotts have been a significant tool in political and economic struggles. The Arab League's declaration in 1945 titled "The Boycott of Zionist Goods and Products" exemplifies one of the earliest organized efforts against Israeli economic interests. This declaration by Egypt, Syria, Lebanon, Iraq, Jordan, Saudi Arabia, and Yemen called for the complete rejection of Jewish-produced goods in Arab countries, effectively isolating the emerging Israeli state economically (Curtis, 1986). Over the decades, this boycott evolved, notably with the establishment of the Central Boycott Office (CBO) in 1951, which coordinated these efforts across the Arab world.

The effectiveness of such boycotts has been demonstrated in various instances. For example, in 2002, American companies in the Arab region reported losses of \$250 million due to boycotts, with significant declines in sales of electronic goods, fast food, and cosmetics (El-Saha, 2023). This economic impact underscores the potential power of organized consumer actions. Moreover, the Palestinian-led boycotts of 1936, 1987, and 2000 against British and Israeli products further illustrate the long history of resistance through economic means (El-Saha, 2023).

The modern Boycott, Divestment, and Sanctions (BDS) movement, which has gained momentum since 2005, has extended this legacy by targeting not only Israeli products but also those from companies perceived to support Israel (BDS Movement, 2015). This movement has found resonance in Indonesia, where public figures and citizens alike have increasingly advocated for boycotts through social media platforms (Rahmawati, 2020). The matter of boycott is clarified by the Qur'an letter Al-Mumtahanah verses 8 and 9 which says that “Allah does not forbid you to be kind and just to those who do not fight you in matters of religion and do not expel you from your homes. Indeed, Allah loves those who are just (8). Allah only forbids you to take as your friends those who fight you in matters of religion and expel you from your homes and help others to expel you. Whoever takes them as friends, they are the wrongdoers (9)”.

The boycott against Starbucks, one of the world's largest coffee companies, has been intensively carried out since 2014 by the world community as a counter-action to the writing of Starbucks CEO Howard Schultz on the Zayubidia website writing "Dear Starbucks Customer, the first and so I want to thank you all have made Starbucks become a big company with more than 90,000 employees, 9700 counters and 33 million customers every week. Every latte and macchiato that you drink at Starbucks contributes to the closer alliance between America and Israel. Without you, dear Customers, we will not be able to reach hundreds of millions of dollars per year to protect Israeli citizens from terrorist attacks and remind every jew in America to defend Israel. So the next time you want a coffee at the Starbucks counter, please remember that every cup you drink at Starbucks, you are helping a worthwhile mission." (Safitri, 2015).

Table 1. list of products targeted for boycott according to Boycott, Divestment, and Sanctions in Indonesia

Category	Products Name
Key boycott targets	Axa, Puma, Carrefour, HP, AHAVA, Reimax, Siemens, Sodastream
Divestment targets	ElbitSystems, CAT, Barclays, CAF, Chevron, JCB, Volvo, TKH Security, HD Hyundai, HIKVision
Community pressure targets (non-boycott)	Google, Booking.com, Expedia, Airbnb, Disney
Other boycott targets	Domino's Pizza, McDonald, PapaJohn's, Burger king, Pizza Hut, WiX

Source: BDS Indonesia (2023)

In addressing the economic implications of boycotts, it is crucial to consider their impact on local economies. The introduction of this article presents a list of products targeted for boycott within Indonesia, as shown in Table 1. Notably, some of these companies operate within Indonesia, raising questions about the potential effects on the Indonesian economy, particularly in terms of labor and employment. This article aims to explore these impacts, specifically addressing whether such boycotts might lead to job losses and how they might influence the broader economic landscape in Indonesia.

While the existing literature provides a solid foundation for understanding the historical and global significance of boycotts, this study seeks to fill a gap by focusing on the localized economic impacts within Indonesia. By doing so, it builds upon previous work while providing a more detailed analysis of how global boycotting efforts intersect with local economic realities.

## 2. RESEARCH METHODS

This research employs a qualitative approach, utilizing a literature study to explore the impact of boycotts on Israeli brand products, meek products, and their supporters. A literature study, as described by Hart (1998), systematically gathers, reviews, and synthesizes existing literature to extract key insights and conclusions. The choice of a qualitative approach was driven by the need to understand the complex social phenomena associated with boycotts, where context and underlying motivations are crucial (Creswell, 2013).

Qualitative methods are particularly suited for studies that require deep exploration of narratives and broader implications. While quantitative methods could measure the scale of boycotts, the qualitative approach was deemed more appropriate for this study, as it allows for a nuanced understanding of consumer behavior and its effects on brands (Bryman, 2016).

The data collection involved identifying and reviewing a wide range of literature, including peer-reviewed articles, books, reports, and credible online sources. This approach aligns with Krippendorff's (2018) content analysis principles, where existing texts are systematically analyzed to identify patterns and themes. The selected literature was analyzed through thematic coding, following Braun and Clarke's (2006) methodology. This process enabled the identification of key themes related to the effects of boycotts, providing a comprehensive synthesis of the findings across various studies.

To ensure the reliability and validity of the findings, steps were taken to mitigate potential biases inherent in literature-based studies. Yin (2018) emphasizes the importance of a rigorous and transparent selection process for sources, which was followed in this study. The literature was selected based on academic rigor and relevance, with efforts made to include diverse perspectives on boycotts. This approach, as suggested by Patton (2015), reduces the influence of any single viewpoint and provides a balanced analysis.

However, the qualitative literature study approach is not without its limitations. As noted by Ridley (2012), reliance on existing literature may be subject to publication bias or limited by the availability of data. The findings are also inherently interpretive, based on the researcher's synthesis of the literature, which could introduce subjective bias. Moreover, the absence of primary data, which could have provided more direct insights, is a significant limitation. Acknowledging these limitations, the study presents its findings within the context of existing literature and suggests that future research could benefit from incorporating primary data collection methods, such as interviews or surveys, to complement the literature-based analysis. This aligns with Creswell and Poth's (2018) recommendation for methodological triangulation to enhance the credibility of research findings.

In summary, the qualitative literature study approach was selected for its ability to provide a deep and nuanced understanding of the impact of boycotts. Despite its limitations, this methodology offers valuable insights into the complex relationship between boycotts, consumer behavior, and brand perception.

## 3. RESULTS AND DISCUSSION

There are several products targeted for boycott according to the Indonesian Sanctions Disinvestment Boycott, which is attached in appendix 1. The products targeted for boycott under the Indonesian Sanctions Disinvestment Boycott, as shown in appendix 1, include several prominent brands and companies, such as PT Unilever, PT Danone, and PT P&G. These brands are integral to daily needs, making the boycott's impact significant. However, consumers have managed to substitute these products with alternatives such as PT KAO, PT Lionwings, and PT Indofood. This substitution highlights how consumer behavior shifts in response to socio-political influences, guided by factors such as religiosity and consumer knowledge.

Religiosity, as defined by Fakriza and Nurdin (2019), motivates individuals to act according to their religious beliefs, which can strongly influence purchasing decisions. Additionally, consumer knowledge, encompassing experiences and information about products (Mowen & Minor, 2002), plays a critical role in the decision to participate in a boycott.

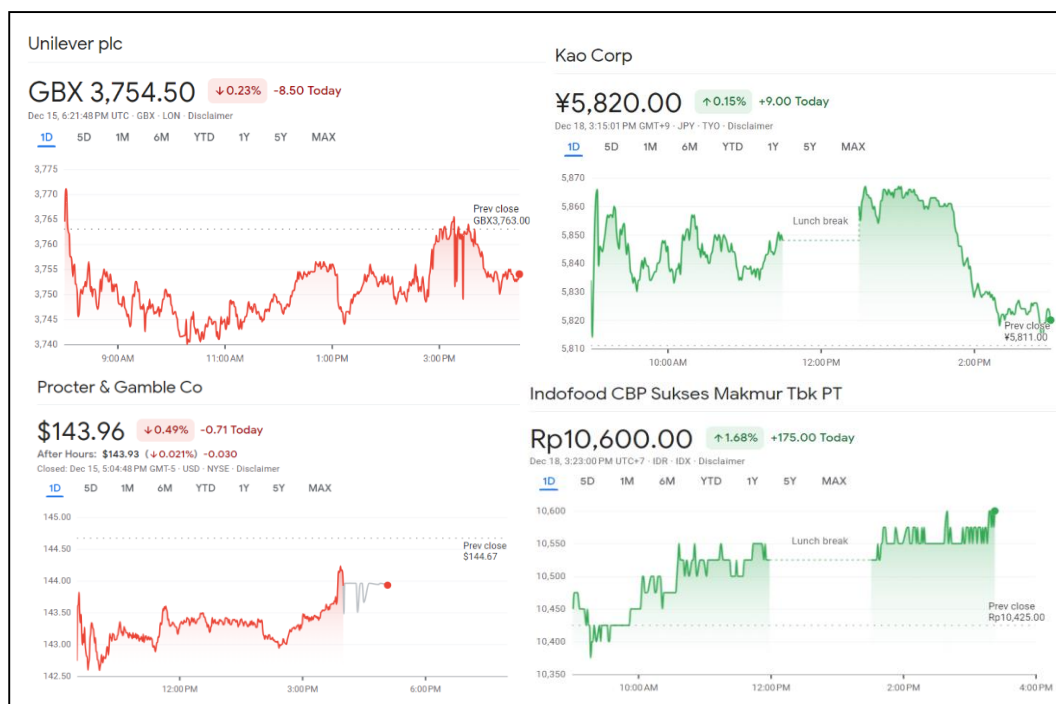


Figure 1. Comparisons After the Boycott  
Source: IDX (2023)

From figure 1, it shows Comparisons after the boycott. Most boycotted products and brands intersect with daily needs, namely PT Unilever, PT Danone, and PT P&G. However, this can be overcome by substituting other products or brands such as PT KAO, PT Lionwings, and PT Indofood.

Boycotts positively impact local producers in the form of increased demand for products (Kim & Kim, 2021). The shift towards local products during the boycott has had a notable economic impact, with local producers experiencing a 30-40% increase in demand. This surge benefits local producers by enhancing their welfare, boosting community income, and contributing positively to the national economy (Teoh et al., 1999). For example, local brands in cosmetics, food, beverages, and daily necessities have gained market share, previously dominated by multinational companies. This trend not only supports the growth of local industries but also promotes economic self-reliance by reducing dependence on imported goods.

The boycott has also fostered a growing appreciation for local products within the community, as noted by Ettenson and Klein (2005). This cultural shift towards favoring domestic goods could have long-term benefits, such as strengthening the local economy and encouraging innovation among local producers. While there are challenges, such as initial labor displacement, these issues are likely temporary. As local producers expand their operations to meet increased demand, employment opportunities should rise, thus offsetting the initial negative effects (Lans et al., 2001). Moreover, the increase in production allows producers to potentially raise prices, enhancing profitability and improving the welfare of workers and producers alike (Smith, 1990).

These findings can be analyzed through the lens of economic theories related to consumer behavior and market dynamics. The increase in local production and the resulting economic benefits can be explained by the theory of import substitution, where reducing reliance on foreign goods boosts domestic industries. Furthermore, the positive impact on local producers' welfare and community income aligns with the multiplier effect, where increased spending on local goods stimulates broader economic growth. The shift in consumer preferences also echoes principles from behavioral economics, where non-economic factors, such as values and beliefs, significantly influence economic decisions.

It is essential to acknowledge potential counterarguments to these findings. For instance, while the boycott has positively impacted local producers, the long-term sustainability of this growth depends on continued consumer support and the ability of local companies to maintain competitive quality and pricing. Additionally, there may be alternative explanations for the observed economic benefits, such as government policies supporting local industries or broader global economic trends favoring local production. Addressing these factors provides a more nuanced understanding of the boycott's impact and highlights the need for continued analysis as the situation evolves.

The impact of boycotts on Israeli products, as seen with the BDS movement, provides a global context for understanding the potential economic consequences of large-scale boycotts. The reported \$11.5 billion annual cost to Israel's economy and the withdrawal of major companies like Veolia, Orange, and Sodastream from the Israeli market (Aljazeera, 2015; BDS Movement, 2023) illustrate the significant economic power that organized boycotts can wield. In Indonesia, the boycott has the potential to similarly disrupt the market presence of multinational companies, thereby offering opportunities for local industries to fill the void. However, the role of government in supporting these transitions, such as by promoting import substitution industries (Abdurochim et al., 2019), is crucial to ensuring the long-term success of these efforts.

Overall, the results demonstrate that boycotts can have far-reaching economic impacts, both positive and negative. The increase in local production and the associated economic benefits underscore the potential for boycotts to drive significant changes in consumer behavior and market dynamics. However, for these benefits to be sustainable, ongoing support from consumers, producers, and the government is essential. This study contributes to the broader literature by highlighting the complex interplay between consumer behavior, market forces, and economic growth, emphasizing the importance of understanding these dynamics in the context of global and local economies.

#### 4. CONCLUSION

The boycott of Israeli-supporting products in Indonesia has driven local producers to innovate and expand, positively impacting the economy through increased employment, producer income, and economic growth. This shift enhances the quality of local products, making them more affordable and competitive internationally.

To sustain these benefits, the government should implement creative industry training, revive import substitution industries, and strengthen oversight to support local producers. These actions will ensure long-term economic growth and reduce dependency on foreign products.

Future research could explore the long-term effects of similar boycotts in other countries, providing insights for shaping Indonesia's economic policies. Additionally, examining how this boycott influences future economic strategies would be valuable for policymakers. Practical applications include developing strategies for local businesses and government agencies to navigate and capitalize on the economic changes brought by the boycott.

In summary, while challenging, the boycott offers Indonesia a unique opportunity to strengthen its domestic economy. By leveraging these findings, stakeholders can foster a more resilient and self-sufficient national economy.

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## APPENDIX 1: Products Targeted for Boycott According to the Indonesian Sanctions Disinvestment Boycott

Criteria	Company Location	Raw Materials	Labor	Product Type	Trademark
American product produced in Indonesia (Franchise)	Product made in Indonesia	75% of raw materials from Indonesia or local farmers	Labor from Indonesia	Food	McDonald's (PT Rekso Nasional Food)
American product produced in Indonesia	Product made in Indonesia	Raw materials from Indonesia	Labor from Indonesia	Food	KFC (PT Fast Food Indonesia)
American product produced in Indonesia	Product made in Indonesia	Raw materials from Indonesia	Labor from Indonesia	Food	Domino's Pizza
American product produced in Indonesia	Product made in Indonesia	Part of raw materials from Indonesia	Labor from Indonesia	Food	Pizza Hut
American product produced in Indonesia	Product made in Indonesia	Raw materials from around the world	Labor from Indonesia	Food	Starbucks
American product produced in Indonesia	Product made in Indonesia	Part of raw materials from Indonesia	Labor from Indonesia	Food	Burger King
American product	Product developed by Google LLC	-	Foreign and Indonesian labor	Services and Internet	Google
French product	Product developed by AXA Group	-	Labor from Indonesia	Insurance	AXA Insurance Indonesia
American product	Product made in Jerusalem	Raw materials from abroad	Indonesian labor only at company and store, factory labor from abroad	Clothing	Puma
American product	Product made in each country with raw materials from the origin country	Raw materials from abroad	Indonesian labor only at company and store, factory labor from abroad	Technology Industry (printers and computer hardware)	HP Inc (Hewlett-Packard)
Israeli product	Product made in Tel Aviv	Raw materials from abroad	Foreign labor	Beauty	Ahava
German product	Product made in Germany	Raw materials from abroad	Foreign labor	Technology	Siemens
Israeli product	Product made in Israel	Raw materials from abroad	Foreign labor	Soda maker	SodaStream



Criteria	Company Location	Raw Materials	Labor	Product Type	Trademark
Dutch product	Supervised in the origin country and there is an affiliated company in each country	-	Foreign and Indonesian labor	Services	Booking Holdings Inc
American product	Supervised in the origin country and there is an affiliated company in each country	-	Foreign labor	Services	Airbnb
American product	Supervised in the origin country and there is an affiliated company in each country	-	Foreign and Indonesian labor	Services	Disney
South Korean product	Assembled in Indonesia (Deltamas, Bekasi)	From the origin country	Foreign and Indonesian labor	Transportation (Cars)	PT Hyundai Motor Manufacturing Indonesia (HMMI)
Swedish product	Assembled in Indonesia (at PT ISMAC or Indo-Swedish Motor Assembly Corporation)	From the origin country	Foreign and Indonesian labor	Cars	Volvo Personvagnar
British product	Product made in Indonesia	Part of raw materials from Indonesia	Labor from Indonesia	Daily necessities	Unilever
American product	Product made in Indonesia	Part of raw materials from Indonesia	Labor from Indonesia	Daily necessities	P&G
Spanish product	Product made in Indonesia	Part of raw materials from Indonesia	Labor from Indonesia	Food and beverages	Danone
American product	Product taken from Indonesia's natural resources	Offshore in Indonesia	Foreign and Indonesian labor	Petroleum	PT Chevron Oil Products Indonesia