



Impact of Boycott, Divestment, and Sanctions Movement on Indonesia's Economy

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Abstract: Product boycott refers to not using and purchasing a product from a particular organization or company. The goal is to pressure Israel to fulfill what the Boycott Divestment and Sanctions (BDS) movement describes as Israel's obligations under international law, defined as withdrawal from the occupied territories, removal of the separation wall in the West Bank, full equality for Arab citizens-Palestinians in Israel, and respect, protect and advance the rights of Palestinian refugees to return to their homes and property. This research uses qualitative methods with literature studies. Meanwhile, the approach applied uses qualitative descriptive analysis with data related to the problem in the study. Writers use reading sources such as journals, articles, news, etc. as writing material and then conclude. The boycott of foreign products, especially Israeli products in Indonesia, has a positive impact on the growth of domestic product revenues. However, the boycott movement reduces economic growth because it reduces demand and increases the number of unemployed. The estimation method used in this research presents certain advances compared to other methods found in the literature because it makes it possible to determine the impact of the BDS movement on the Indonesian economy while still considering the interdependence between different sectors, as well as able to decide on its implications fairly compared to other industries. This research also uses large amounts of data, so it is hoped that it can increase the strength of the research conclusions.

Keyword: Impact, Boycott Divestment, Sanctions Movement, Indonesian Economy

INTRODUCTION

The Boycott, Divestment, and Sanctions (BDS) movement was started in 2005 by Omar Barghouti Muslims, such as Qatar, Jordan, Kuwait, Morocco, Iran, Bangladesh, Turkey, and Pakistan, who later boycotted French products. The boycott of French products had significant political and economic repercussions. Economically, more than \$100 billion of France's foreign

trade with Muslim-majority countries is at risk (Awad, 2021) (Fernanda et al., 2022). MUI (Indonesian et al.) issued fatwa No.83/2023 regarding boycotts or calls to avoid using products affiliated with Israel. A product boycott refers to not using and buying a product from a particular organization or company. This action is a form of protest and disapproval to influence certain parties over the policies or actions taken. The boycott was carried out to influence the target country's policies by suppressing the economy through declining exports and investment.

The BDS movement has become an essential tool in the struggle for Palestinian rights and in pressuring Israel to respect human rights and international law, as well as a form of support for the Palestinian population by pressuring Israel to stop its aggression in the Gaza Strip, by cutting off the business of companies or organizations affiliated with Israel. The BDS movement is also an effort of solidarity with the Palestinian people through justice and self-determination that offers a medium to travel through a coherent combination of tactics and demands and a movement articulated with universal humanitarian and international intentions. There is no doubt that the BDS movement has had a tremendous impact in solidarity with the Palestinian cause for justice and self-determination based on a solid call, a clear one to act and a series of demands. The BDS movement has become the dominant strategy in support of the Palestinian struggle for justice and liberation. The basic needs of Palestinians for stability and autonomy and their right to access jobs, education, and social services are challenging to obtain. By concentrating the aspirations of exiled Palestinians and refugees, it becomes clear that the right of return is the right to self-determination in their historic homeland and is the ultimate solution to protracted, experiential, legitimate statelessness and systematic forms of otherness (Awad, 2021).

The BDS movement is seen as a highly effective way to target companies involved in Israel's oppression of Palestinians. In addition, Israel has violated international law, including by operating in illegal Israeli settlements and acting as a contractor for the Israeli military and government (Barkay & Shamir, 2020). Viewed from this perspective, BDS's strategy is to inform about the Palestinian political situation and violations of international law that Israel did. This is done by recasting and retelling key events, such as the attack on Gaza, to argue that the main problem is the fundamental denial of Palestinian rights (Lustick & Shils, 2022).

In addition, the BDS movement has the support of various organizations and individuals around the world, including trade unions and civil society organizations, which can increase pressure on Israel (Zulian, I, 2018). At the same time, it is noted that the boycott movement can have a significant economic impact, which can affect international trade and the country's economy. There are concerns among targeted companies, including top brands operating in Indonesia, such as McDonald's, KFC, Starbucks, Pizza Hut, and Burger King. These concerns relate to their actions and their potential impact on workers, as well as the broader economic impact of the boycott movement (Risqi et al., 2023).

The Israeli-Palestinian conflict can affect Indonesia through its global economic influence. The conflict could add to unexpected concerns about the global economy. Crude jumped 4% in trade, and instruments such as gold and the U.S. dollar rose as the war between Israel and Hamas escalated. Moreover, it does not rule out the possibility that fuel prices in Indonesia will rise again as the Hamas and Israel conflict spreads to several major oil-producing countries in the world. In addition, the increase in oil prices on the world market also impacts the increase in prices of necessities, including food and industrial goods. Indonesia still depends on large imports from abroad, including rice, so increasing world oil prices does not benefit Indonesia (Simanjorang et al., 2023).

Pro-Israel companies suffered their most significant share price drops since the Israeli-Hamas war, averaging \$2,774. In addition, civil boycotts may cause a fall in stock prices because the company's turnover in October – November 2023 will decrease (Rahmani, 2023). Another impact of the boycott is increased industrial unemployment and boycotts of foreign

products also reduce income. Several factors affect the economy, including investment, human development index, high-income inequality, and the number of poor people (Khoirudin et al., 2023). Meanwhile, in the book *Development Economics* by Fitri Amalia et al., factors that affect economic growth include Human Resources, Natural Resources, capital formation, technological development, and social and political factors (Amalia et al., pp. 215-217).

Boycotts reduce economic growth because they reduce demand and increase the number of unemployed. Boycotts could hurt companies directly involved in the production and distribution of pro-Israel products, potentially threatening the associated jobs. In addition, the threat of retaliation against Indonesia by reducing imports of Indonesian products has a greater impact than the economic impact of boycotting foreign products. Another impact of the boycott is increased industrial unemployment, and boycotts of foreign products also reduce government tax revenues (Heri Sudarsono, 2008).

Although boycotts can put political pressure on target countries, they can also disrupt economic relations between countries. The impact can be slowing economic growth and increasing unemployment due to disruption of trade and investment flows between countries. This is in line with what Amalia et al. (2022) expressed, that the stability of a country's political environment is a must to increase the country's output level.

The political impact of the boycott demands is also evident in tensions between Turkish President Recep Tayyip Erdogan and French President Emmanuel Macron. Erdogan backed the boycott and called on the European Union to limit issues related to its anti-Islam agenda. Macron's response to the call stated that the call was baseless, resulting in tensions between the two countries and worsening political relations between France and Turkey (Fernanda et al., 2022). This is in line with what was revealed by Suyanto et al. (2022), that political relations between countries could affect international business practices and investors' intentions to invest in a country.

In addition, boycotts can also affect the price and availability of products in the domestic market and cause uncertainty among entrepreneurs and investors. However, the boycott is ineffective because Indonesia's international economic relations are regulated by regional and international trade organizations. Therefore, handling the impact of boycotts on the Indonesian economy requires careful planning and support from financial institutions, universities, and the government (Oktavia et al., 2024). The boycott of foreign products, especially Israeli products, in Indonesia positively impacts the growth of domestic product income. Further improvements in the quality and innovation of local products are believed to be needed to truly replace imported products sustainably. The most visible positive impact was a significant increase in sales of locally produced food, beverages, cosmetics, and medical products, replacing Israeli products. Sales of some local products increased by as much as 30-40% during the boycott movement. This shows that boycotts of foreign products encourage sales growth of local products in Indonesia (Indah Mentari et al., 2023).

The BDS movement has had a significant impact on many companies, especially those linked to Israel or engaged in activities deemed supportive of the occupation of Palestine. Some potential business impacts include (1) Boycotts and declining sales, (2) Divestment, and (3) Company image and reputation (Younes, F, 2019). This article will discuss how the BDS movement impacts foreign products and Indonesia's economic growth. The growth of local products will increase people's incomes, encouraging the growth of the Indonesian economy.

METHOD

This research uses a qualitative approach with literature or literature studies. The method applied uses qualitative descriptive analysis with data related to the problem in the research. The author uses reading sources such as journals, articles, news, and others as material for writing and then concluding. Data analysis was carried out using systematic review

techniques, in which the study interpreted the following studies related to the impact of boycotts of foreign products on Indonesia's economic growth.

RESULTS AND DISCUSSION

Result of Descriptive Analysis

The data will be analyzed using a product-moment correlation test using questionnaire instruments. The significance assessment will be done by comparing the calculated r value and the value of r in the product moment distribution table for the relevant degree of freedom (df), namely $df = n - 2$. In this context, the number of samples (n) involved in the study is 100, so the df value can be calculated as $100 - 2 = 98$. Concerning the substantial alpha level of 0.05, the r value of the table obtained is 0.01966.

No	Companies Name's			
	Target of Consumer Boycott	Divestment Targets and Exemptions	Target Pressure	Organic Boycott Goals
1.	AXA	Elbit systems	Google	Mc Donalds
2.	Puma	CAF	Amazon	Domino's Pizza
3.	Carrefour	VOLVO	Airbnb	Papa John's
4.	HP Inc	CAT	Booking.com	Burger King
5.	Chevron	BARCLAYS	Expedia	Pizza Hut
6.	CALTEX	JCB	Walt Disney	Wix
7.	RE/MAX	Intel	Teva	
8.	AHAVA	HD Hyundai		
9.	SIEMENS	Chevron		
10.	TEXACO	HIK VISION		
11.	Soda Stream	TKH Security		

Table 1. List of Boycott Target Companies

The table shows 35 companies boycotted, including 11 companies targeted by consumer boycotts, 11 by divestment, seven by pressure, and six by organic boycotts. The target of organic boycotts is carried out by the world community companies that openly support acts of genocide.

The share price of the Carrefour company before the BDS call was \$16.90, and it changed to \$15.53 after the boycott call (Figure 2).



Figure 1. Trend Amazon Stock Price

The chart above shows that the stock price movement decreased significantly in October and November 2023. The share price prior to BDS's call, September 2023, was \$144.88, and it

declined significantly to \$119.48 by mid-November 2023. However, the stock price movement rose again after November to reach 169.51 (Figure 1).



Figure 1. Carrefour share price trend



Figure 3. Intel Stock Price Trends



Figure 4. McDonald's Stock Price Trend

McDonald's stock price before the BDS call was \$283.37, and it changed to \$246.55 after the boycott call. Of the four sample companies targeted by BDS, all experienced a decline in stock prices. Therefore, researchers want to know how the impact of the BDS movement on Indonesia, especially on its economic growth. Here is the GDP growth rate in the third quarter.

Based on the following data on Indonesia's economic growth, we can see the movement of Indonesia's GDP in the third quarter. The figure for the agriculture, forestry, and fisheries

sectors in the c-to-c section was 1.34%, in the q-to-q part of 1.61%, and in the y-to-y part of 1.46%. While the processing industry sector in the c-to-c section was 4.84%, in the q-to-q part of 3.48%, and in the y-to-y part of 5.2%. Then, in the sector of providing accommodation, food, and drink in the c-to-c section, the figure was 10.77%, in the q-to-q part of 2.12%, and in the y-to-y part of 10.9%. The Gross Domestic Product sector in the c-to-c section was 5.05%, in the q-to-q part of 1.6%, and in the y-to-y part of 4.94%.

Table 2. GDP Growth Rate 2023 Third Quarter

[2010 Series] GDP Growth Rate 2010 Series (Percent)

	Cumulative Growth Rate (c-to-c)			Quarterly Chain Growth Rate (q-to-q)			Quarterly Growth Rate against the Same Quarter of the Previous Year (y-on-y)		
	2023			2023			2023		
	Quarter I	Quarter II	Quarter III	Quarter I	Quarter II	Quarter III	Quarter I	Quarter II	Quarter III
A. Agriculture, Forestry and Fisheries	0,43	1,27	1,34	4,82	15,32	1,61	0,43	2,02	1,46
B. Mining and Quarrying	4,92	4,97	5,65	-4,21	3,65	5,31	4,92	5,01	6,95
C. Processing Industry	4,43	4,65	4,84	-0,4	0,47	3,48	4,43	4,88	5,2
D. Electricity and Gas Procurement	2,67	2,91	3,64	0,61	1,42	3,77	2,67	3,15	5,06
E. Water Procurement, Waste Management, Waste and Recycling	5,69	5,22	4,98	-0,56	3,88	-0,14	5,69	4,78	4,49
F. Construction	0,32	2,7	3,94	-2,49	-1,44	5,87	0,32	5,23	6,39
G. Wholesale and Retail Trade; Car and Motorcycle Repair	4,92	5,09	5,09	-0,36	2,51	2,17	4,92	5,26	5,08
H. Transportation and Warehousing	15,93	15,59	15,3	-0,11	6,18	1,84	15,93	15,28	14,74
I. Provision of Accommodation and Food & Drink	11,55	10,7	10,77	-2,28	3,38	2,12	11,55	9,89	10,9
J. Information and Communication	7,13	7,59	7,91	0,16	3,39	1,31	7,13	8,05	8,52
K. Financial Services and Insurance	4,45	3,65	4,17	4,86	-1,51	0,43	4,45	2,85	5,24
L. Real Estate	0,37	0,67	1,18	0,01	0,6	1,25	0,37	0,96	2,21
M,N. Company Services	6,37	8	8,46	-0,16	5,53	-0,03	6,37	9,59	9,37
O. Government Administration, Defense and Compulsory Social Security	2,09	5,26	1,45	-10,97	15,8	-17,74	2,09	8,15	-6,23
P. Education Services	1,02	3,3	1,46	-14,29	11,9	-6,51	1,02	5,43	-2,07
Q. Health Services and Social Activities	4,77	6,57	5,27	-14,56	9,06	1,83	4,77	8,27	2,92
R,S,T,U. Jasa ect	8,9	10,4	10,65	1,07	3,91	-2	8,9	11,89	11,14

A. GROSS VALUE ADDED ON BASE PRICE	4,29	4,94	5,03	-1,11	4,18	1,7	4,29	5,58	5,21
B. TAX MINUS SUBSIDY ON PRODUCTS	23,61	8,9	5,49	3,47	-2,68	-0,59	23,61	-2,97	-0,85
C. GROSS DOMESTIC PRODUCT	5,04	5,11	5,05	-0,91	3,86	1,6	5,04	5,17	4,94

CONCLUSION

The impact of the BDS movement (Boycott, Divestment, and Sanctions) on specific products is still debated; some reports suggest that the BDS movement has not had a significant impact on the Israeli economy. However, on the other hand, the BDS movement is considered to be quite significantly affecting the Israeli economy. The figure for the agriculture, forestry, and fisheries sectors in the c-to-c section was 1.34%, in the q-to-q part of 1.61%, and in the y-to-y part of 1.46%. While the processing industry sector in the c-to-c section was 4.84%, in the q-to-q part of 3.48%, and in the y-to-y part of 5.2%. Then, in the sector of providing accommodation and food and drink in the c-to-c section, the figure was 10.77%, in the q-to-q part of 2.12%, and in the y-to-y part of 10.9%. The Gross Domestic Product sector in the c-to-c section was 5.05%, in the q-to-q part of 1.6%, and in the y-to-y part of 4.94%.

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