

IPF Friday

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Sticking with Starbucks and Israel

Prime Minister Ariel Sharon's acceptance of the roadmap and his use of the word "occupation" to describe Israel's presence in the West Bank and Gaza indicate that the old warrior, godfather of the settler movement, is both capable and willing to face up to the realities of the Israeli-Palestinian conflict.

Equally significant, Sharon defends his acceptance of the roadmap by making a clear connection between Israel's economic woes and the collapse of the peace process. He has repeatedly told Israelis that without an agreement with the Palestinians, there is no hope for an economic recovery.

That last point is obvious to most Israelis, but not clearly understood here. The other day, I received a chain e-mail urging a boycott of Starbucks coffee because, the e-mail alleges, the Seattle-based company has surrendered to anti-Israel boycotters and pulled out of Israel.

The e-mail is simply untrue. The founder and Chairman of Starbucks, Howard Schultz, is both Jewish and a life-long supporter of Israel. In fact, Starbucks has long been boycotted by anti-Israel groups because of Schultz' outspoken support for Israel and because of his defiance of boycott threats in opening six shops there.

Earlier this year, however, Starbucks announced that it was shutting down its Israeli operation. The reason was anything but unusual in these troubled economic times; Starbucks was unable to penetrate the local market. Between the general declining economy and the absence of the tourists who would seek out Starbucks, the high-end product had little chance of success.

No big surprise there. The only unusual part of the story is the rumors that a purely economic decision was motivated by anti-Israel animus. The Anti-Defamation League investigated and rejected the rumors as false. Pro-Israel activists can enjoy their Starbucks without guilt.

The Starbucks story is more significant than it may seem. Its importance lies in the unwillingness of some to understand that Israel's economic decline since the collapse of Oslo is not a coincidence – and certainly not the result of an anti-Israel conspiracy.

The Israeli economy crashed because hopes for peace crashed. It was those hopes that brought Starbucks (and so many other foreign investors) to Israel, and it is the dashing of those hopes that is keeping them away now. New foreign investment, just like foreign tourists, will not return in any significant way until the peace process is rejuvenated. Sharon knows that, and that may be the main reason he endorsed the roadmap.

The effects of the peace process collapse on the Israeli economy were outlined by Sever Plotzker in an analysis in *Yediot Achronot* this week. "In the two and a half years that have elapsed since Palestinian violence broke out, the Israeli economy has lost some 30 billion shekels [6.8 billion USD].... This is the difference between the growth that we could have achieved despite the world slowdown, and the severe economic regression that actually took place," he wrote.

Had the peace process continued, "unemployment would be significantly lower, by at least 60,000 people, than it is today. The standard of living and level of investments would be much higher. Tourism would be flowing to Israel. The government would not be battling with such a deep deficit and there would be no need for such painful cutbacks, neither in allowances nor in salaries."

Plotzker says that the damage wreaked by the Oslo collapse accelerated as time went on. "The business-productive sector in Israel was capable of expanding at a rate of 4% to 5% per year; instead, it shrank by the same rate. It discharged workers instead of absorbing them. It turned away investors instead of attracting them. The security expenditure increased, the welfare expenditure decreased. From the top of the world growth table in 2000 we were relegated last year to the bottom of the table," he concluded.

It doesn't take an economist or a political scientist to understand that Israel cannot go on this way. And that is probably why Sharon has broad support in Israel for his decision to accept the roadmap. Don't be deceived by the screaming at the Cabinet meeting at which Sharon proposed acceptance. This was nothing more than a case of the usual suspects making the usual threats. More significant are the public opinion polls which show broad support for Sharon's decision to put his faith in President Bush's initiative, including among Likud members.

Yakov Bardugo, a member of the Likud Central Committee, wrote in *Ma'ariv* that Sharon has his party's backing. "We, the members of Likud ... love the Land of Israel, conceding parts of it will be painful, but the people of the Likud, unlike the inflexible Right, are willing to pay this price, for the sake of the national interest. The settlers know this, but they hoped that this would never be put to the test. They were wrong. The time for the test is at hand."

He concluded with the reminder that Sharon is only doing what he promised. "As far as most of the Likud voters go, Sharon is delivering on his promise. Sharon promised to fight terror, to boycott Arafat, to begin negotiations with the person elected the Palestinian prime minister. He also promised that that if faced with a serious Palestinian approach, he would present painful compromises. That is exactly what he is doing now.

For this he should be given praise, not curses from the inflexible Right, which in any case did not vote for Sharon." (i.e., they supported Sharon's Likud rival, former Prime Minister Benjamin Netanyahu.)

At this point there is no way of knowing how the Bush mission to the Middle East will turn out. Conventional wisdom would dictate that not much will come out of this first Bush attempt at face-to-face mediation. But conventional wisdom also predicted that this President would never undertake this mission to begin with. Those of us who support active leadership to achieve an agreement could not be more pleased. Bush is providing that leadership and that alone is cause for optimism.

After all, there is one thing we know about Bush. When he decides on a goal – think of Iraq or the tax cut – he pursues it doggedly, no matter how unlikely the prospects for success appear. His goal now is nothing less than the two-state solution. He can do it. After all, defying the odds has become this President's specialty.

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