

Israel's business community braces for sanctions

by Jacob Wirschafter



Edouard Cukierman, managing partner of the French-Israeli private equity firm Catalyst Investments, is among more than 300 business leaders advocating a two-state solution.

Just one week before the Israeli election, Palestinian chief negotiator Saeb Erekat sent an angry letter to French Foreign Minister Laurent Fabius.

Erekat was furious that Paris-based Société Anonyme Française d'Etude de Gestion et d'Entreprises (SAFEGE), an engineering subsidiary of Suez Environnement, had been hired by the Jerusalem Municipality to begin plans for an aerial tramway linking the Emek Refaim train station to the Dung Gate, then eastward to the Mount of Olives and the Garden of Gethsemane.

“This project will help strengthen the annexation of East Jerusalem, facilitate travel to the settlements and lead to the illegal expropriation of private property, some of which belongs to the Waqf and Christian churches,” Erekat wrote in the letter leaked to the Paris daily *Le Figaro*.

Within days, French officials summoned SAFEGE's top directors to the Quai d'Orsay, and the company pulled out of the project.

Israeli entrepreneurs say the scuttled gondola project reflects a deteriorating relationship with Europe, and some are increasingly anxious over potential effects for commerce should Israeli Prime Minister Benjamin Netanyahu's new coalition firmly reject two-state diplomatic efforts.

"What we are seeing is the stigma of sanctions imposed by states are a much more serious threat to the Israeli economy than BDS [Boycott, Divestment and Sanctions]," said Orni Petruschka, a partner at renewable energy firm Precede Technologies.

"Once there is a U.N. resolution on a Palestinian state, and in the likely event that Israel does not move forward to such an endgame, then there might be sanctions by states who do not subscribe to the whole BDS agenda, which includes the return of the refugees," said Petruschka, who is best known in Israel as an entrepreneur who sold his company Chromatis Networks to Lucent in 2000 for a record-breaking \$4.75 billion.

"BDS can be contained because of the relatively extreme agenda. But I do see a U.N. resolution leading slowly to a process that will include economic measures against us," Petruschka said.

France is currently circulating a draft of a Security Council resolution on Palestinian statehood to be formally introduced within the next few months.

"Europe is becoming more politicized, and we do see some players reluctant to invest in Israel," said Edouard Cukierman, managing partner of the French-Israeli private equity firm Catalyst Investments, and chairman of Cukierman & Co. Investment House.

Cukierman, 50, is also a member of the Breaking the Impasse group, which includes more than 300 Israeli business leaders advocating a two-state solution.

"We saw some companies freeze or reconsider their investments in Israel in the wake of the war last summer in Gaza," said Cukierman whose father, Rodger, serves as president of the Council of French Jewish Institutions.

"The reluctance to invest is not just because of Israel — it's also due to the European economy with its own issues and concerns as reflected as the election results in France," Cukierman observed, noting the "worrisome" rise of the National Front in France.

Gadi Baltiansky, Israeli director general of the two-state advocacy group Geneva Initiative, thinks too many in Israel's business community have muted their concerns about the economic consequences of the diplomatic stalemate.

“In general terms, the business community is more pragmatic and moderate and supportive of a peace deal and they believe that the state is more important than the land,” Baltiansky said.

“You can have success even if we have less land; they are interested in stability here and a climate favorable for foreign investment, trade and tourism.”

“What they have done about it? Between very little and zero,” Baltiansky said.

“Of course, from the perspective of the business community, you have to admit that the Israeli economy is not doing that badly, especially compared to some in Europe. So there isn’t this strong motivation that says, ‘Wow, we are in a catastrophe.’ ”

Cukierman illustrates Baltiansky’s point by relaying that his firm has more than made up for declining European investment by partnering with Chinese companies and venture-capital funds eager to get in on Israel’s technology boom.

The investment house holds an annual investors conference in Tel Aviv that has attracted increasing numbers of Chinese participants, and Cukierman has scored \$75 million in Chinese investment.

“When we had our conference a couple of years back, we had Mr. Ronnie Chan, one of the largest players in real estate in China. He came and said, ‘Why are you spending so much time working on a relationship with Europe?’ And that is when we really adjusted some of our focus,” Cukierman said.

Although Baltiansky credits Breaking the Impasse for demonstrating mainstream business support for the two-state concept, there’s no mistaking his frustration with the organization’s quiet approach, avoiding confrontation with the Netanyahu government over the lack of diplomatic progress.

“After the Bar Ilan speech [the prime minister’s 2009 acceptance of a demilitarized Palestinian state], Breaking the Impasse came out with a billboard campaign costing hundreds of thousands of shekels praising Netanyahu saying, ‘We support you on the road to peace.’ But when it stalled, there was no campaign telling him to get back on track,” Baltiansky said.

Petruschka organized Blue White Future, an activist lobbying group with a more controversial approach than Breaking the Impasse.

Blue White Future has called on the Israeli government to draw up plans for the relocation of settlers, and on the White House to respond to the negotiations deadlock by publicly releasing American parameters for a two-state deal.

“People are afraid to openly take a stand because they put the well-being of their business first, and most business leaders have some sort of cooperation with government,” Petruschka said.

“To my mind, this is a mistake, because in the long term, the success of their business depends more on cooperation of the entire international community, and as those partnerships erode, the well-being of their business will also suffer.”

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