Middle Eastern politics & society

Israel’s settler economy braces for European sanctions

Penalties against businesses on occupied Palestinian land could have far-reaching consequences

Volunteers harvest grapes in the Israeli settlement of Psagot in the West Bank © David Silverman/Getty Images

James Shotter in Sha’ar Binyamin and **Lucy Fisher** in London

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Psagot Winery in the hills outside Jerusalem hails its “award-winning” wines, plush decor and views over the “primordial landscape of Israel”.

But the winery is in Sha’ar Binyamin, an Israeli settlement in the occupied West Bank. The view from its elegant terrace encompasses the Palestinian village of Mikhmas and the low-slung cabins of a Bedouin community. And like other businesses in Israeli settlements — which are illegal under international law — it will soon be subject to UK sanctions.

For Yaakov Berg, who founded the vineyard just over 20 years ago, the new sanctions regime, announced this month by UK foreign secretary Ed Miliband, is a source of outrage. “We have history here of 4,000 years,” he said. “David built his kingdom exactly where the winery is. So what is my sin?”

The measures are part of a growing wave of international pressure on Israel that proponents hope will force it to change its behaviour in the West Bank. Under Benjamin Netanyahu’s far-right government, Israel has dramatically accelerated settlement expansion plans — such as the controversial E1 project near Jerusalem — and attacks on Palestinians by Jewish settlers have spiralled.

Psagot Winery founder Yaakov Berg: ‘David built his kingdom exactly where the winery is. So what is my sin?’ © Maya Alleruzzo/AP

The UK’s landmark announcement was accompanied by a pledge from France and Canada to ban imports of settlement goods. Ireland, Spain, Belgium and Norway have already announced restrictions on trade with settlements. Dutch sanctions will take effect next week.

Officials say it will take six to nine months for the UK to finalise the details of sanctions legislation. Miliband made clear the measures would involve not only a ban on importing goods from settlements but sanctions on companies that “finance or facilitate” settlements, a potentially more far-reaching measure.

He accused settlers of “ethnically cleansing” Palestinians in parts of the territory.

During its nearly four years in office, Netanyahu's government has approved more than 100 new settlements, almost doubling the 127 that existed before it assumed power, and more than 500,000 Israelis now live in the Palestinian territory.

Netanyahu’s government has approved more than 100 additional West Bank settlements

Location of settlements approved since 2023* and areas of control in West Bank

Area A: under Palestinian Authority control **Area B:** under joint Palestinian-Israeli control

Area C: under full Israeli control ◇ Settlements approved by Netanyahu government

20 km

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MapLibr

FINANCIAL TIMES

Source: B'Tselem; UN OCHA; Peace Now • *Data covers period since Feb 12 202

While some settlers live there for religious or ideological reasons, others are drawn by economic considerations, with housing costs in settlements often cheaper than in Israel.

Much of the economic output from settlements is agricultural, with wines, fruits such as dates, avocados and grapes, and olive oil among the main exports. But some, such as Ma'ale Adumim, Sha'ar Binyamin and Ariel, are also home to industrial parks making products ranging from plastics to cosmetics.

In macroeconomic terms, the direct impact of sanctions on settlement goods will be limited. There is no official data on trade between the UK and Jewish settlements. But the Manufacturers Association of Israel estimated that annual settlement exports to the UK came to just \$11.1mn — a tiny fraction of the £1.2bn (\$1.6bn) of Israeli goods the UK imported in 2025.

Itzik Moshel, chief executive of the food company Maya, said the group, which is based in the settlement of Ma'ale Adumim, would respond by seeking to boost sales in other markets. "It will hurt us, but only a little bit. It's something we can get through," he said. Maya sells products ranging from spices to crisps.

Berg, who said his winery brought in about \$1mn a year from sales to the UK, said his company would also target other markets, adding that it already sold its products in the US — where sales were "very strong" — as well as South America and Asia.

Of greater concern to Israeli executives is Miliband's threat to impose sanctions on "companies and individuals who provide services such as construction, infrastructure, financing or real estate for settlement expansion".

A Palestinian man dismantles his family’s car wash ahead of the arrival of an Israeli army demolition team in the Israeli-occupied West Bank town of al-Eizariya © John Wessels/AFP/Getty Images

The exact shape of this regime remains an open question in Whitehall, and the final contours will depend in part on the path the Israeli government and Israeli companies take in coming months.

Julie Norman, associate fellow on the Middle East at Chatham House, said Britain had retained “wriggle room to see what happens with the Israeli elections”, which are due next month, and “to see if the new Israeli government pauses the E1 settlement development and reins in settler violence”.

Polls suggest a tight race with neither Netanyahu nor his opponents, who have a range of views on the West Bank, currently winning a majority.

Officials are seeking to avoid unintended consequences that hamper Britain’s wider trading relationship with Israel. The UK has stressed it is not targeting Israel itself, and British government figures are cognisant that the UK benefits from Israel’s pharma and defence sectors.

The most powerful such tool would be sanctions targeting banks and insurers that do business with settlements. "This would be a bigger issue, because banks bring with them connectivity in many circles," said Dror Strum, a former head of Israel's competition authority who is now chief executive of the Israeli Institute for Economic Planning.

"You have the payment system. You have a credit system in which large British banks could be members of a consortium financing projects . . . London is one of the top three financial centres in the world. So this could carry serious results."

The winery's founder says it brought in about $1mn a year from sales to the UK and his company would also target other markets © Emmanuel Dunand/AFP/Getty Images

Others argue that precisely this interconnectedness of financial institutions would make the UK reluctant to impose sanctions on Israeli banks, as it would be hard to do so without affecting the Israeli economy.

But even if the UK stopped short of such a step, its sanctions could still affect the Israeli economy indirectly. One concern among Israelis is that some foreign businesses could start shunning not just goods and companies with links to settlements but Israeli goods and companies more broadly, given the complications of tracking modern supply chains.

“The risk is that people will avoid [Israeli goods] because they wouldn’t know whether they will be sanctioned or not,” said Strum. “This is the chilling effect, and this could be significant.”

More countries may also follow suit. At the same time as the UK, France and Canada announced their sanctions, several other European nations said they intended to introduce or were considering measures of their own or at EU level.

“National restrictions by several European states would expose Israeli firms to [exclusion from] a much larger market,” said Eran Yashiv, a professor of economics at Tel Aviv University.

He added that if Netanyahu’s coalition were to remain in power after the election and continue its hardline policies, the risk of countries imposing sanctions not just on settlements but also on Israel could rise.

“With Europe being Israel’s largest trading partner, this would be a very big deal,” he said.

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