IPS/INS/046/2026-46

Institute of Policy Studies
Islamabad

September 14, 2026

IPS INSIGHTS
Perspectives On the Issues Shaping Policy

Sanctions on Settlements: Signal or Symbolism?

Dr. Tughral Yamin[1]

For years, Western governments have described Israeli settlements in the occupied West Bank as illegal under international law. They have repeatedly warned that their expansion is undermining the possibility of a viable Palestinian state. Yet, beyond diplomatic statements and occasional condemnations, little has been done to make Israel pay a meaningful price for continuing the policy.

That may now be changing. Twelve countries have announced measures targeting trade linked to Israeli settlements in the West Bank.[2] The countries—Canada, Denmark, Finland, France, Iceland, Ireland, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom—have collectively signaled that settlement expansion and settler violence can no longer be treated as merely an internal Israeli matter.

The move is politically significant, but whether it will actually change Israeli policy is another question. The most important aspect of the initiative is not the economic value of the goods affected. Settlement products constitute only a small fraction of Israel's overall economy and exports. The measures therefore cannot seriously damage the Israeli economy in their present form.

From Rhetoric to Economic Pressure

Their significance lies elsewhere: they challenge the long-standing assumption that Israel can continue expanding settlements while maintaining normal economic relations with its Western partners.

This is an important change in principle.

The international community has spent decades insisting that the West Bank is occupied territory and that settlements violate international law. Yet settlement construction has continued, accompanied by roads, infrastructure and security arrangements that gradually alter the character of the territory.

The danger is obvious. A Palestinian state cannot be created simply by drawing a line on a map. It requires territorial continuity. Every new settlement, bypass road and piece of supporting infrastructure makes that task more difficult.

The proposed measures therefore represent an attempt to impose at least some cost on the process.

The Limits of Economic Pressure

There is a considerable gap between political signaling and effective coercion. For one

[1] Brig (r) Dr. Tughral Yamin is a Senior IPS Associate. He can be reached at tughral@ips.net.pk

[2] Nathan Rennolds, "11 European Nations and Canada Announce Trade Sanctions on Israeli Settlements in the West Bank," Euronews, September 8, 2026, https://www.euronews.com/2026/09/08/12-nations-announce-trade-sanctions-on-israeli-settlements-in-the-west-bank

thing, the restrictions are targeted at goods originating in settlements rather than Israeli trade as a whole. This makes them politically palatable to governments that still wish to maintain relations with Israel, but it also limits their economic impact.

Enforcement will present another difficulty. Products can move through Israeli supply chains before reaching foreign markets. Distinguishing goods produced inside settlements from those produced in Israel proper will require careful customs procedures and considerable political will.

Israel is also unlikely to respond quietly.

Prime Minister Benjamin Netanyahu's governing coalition contains powerful forces for whom settlement expansion is an ideological objective rather than simply a security policy. For such elements, foreign pressure can actually reinforce the argument that Israel must resist international demands.

This creates a familiar paradox. Pressure intended to moderate Israeli policy can sometimes strengthen the political forces advocating an even harder line.

The reaction to British measures already demonstrates the problem. Rather than accepting the restrictions as legitimate criticism, Israel has responded with diplomatic retaliation. This suggests that economic pressure, at least at its present level, is unlikely to persuade the Netanyahu government to abandon its settlement agenda.

From the West Bank to Gaza

There is also an important disconnect between the West Bank and Gaza. The sanctions are aimed principally at settlement expansion. They do not directly address the military capabilities being employed in Gaza. They do not restrict the flow of weapons, ammunition, intelligence or military technology. Nor do they substantially affect the financial mechanisms that sustain a prolonged military campaign.

It would therefore be unrealistic to expect these measures to bring an end to Israel's military operations in Gaza.

If Western governments genuinely want to influence Israeli conduct in Gaza, they will have to confront the much more politically difficult question of arms supplies.

The Importance of US Support

This is where the United States becomes crucial. Washington remains Israel's most important military and diplomatic partner. European governments can impose trade restrictions, sanction individuals and companies and reduce certain forms of cooperation. But the impact of such measures will remain limited if Israel continues to enjoy strong American military and diplomatic backing.

This does not make the European-Canadian initiative irrelevant. On the contrary, international pressure often develops incrementally.

Today it may be settlement goods. Tomorrow it could involve companies involved in settlement construction, financial institutions facilitating settlement activity, or individuals responsible for settler violence. If such measures are progressively expanded and coordinated, their cumulative effect could become considerably more serious.

The question is whether Western governments are prepared to go that far.

Symbolic Measure or Policy Precedent?

There is another reason why the present development deserves attention. The countries taking action are not traditional adversaries of Israel. Britain, France, Canada and several other European states have longstanding political, economic and security relationships with Israel.

Their willingness to impose even limited economic costs indicates that Israel's international diplomatic environment is changing.

For Israel, this should be taken seriously. A country can withstand criticism. It can even withstand limited sanctions. What becomes more difficult is the gradual normalization of the idea that occupation and settlement expansion should carry consequences.

That could eventually influence Israeli domestic calculations, particularly if businesses, investors and political constituencies begin to conclude that the settlement project is damaging Israel's wider international interests.

The Limits of Immediate Impact

But that is a long-term possibility, not an immediate outcome. For the moment, the sanctions are unlikely to stop settlement expansion, compel Israel to withdraw from the occupied territories or halt military operations in Gaza. They are too narrow and too limited for that purpose.

Their real value lies in establishing a precedent. For decades, Western governments have effectively maintained two positions at the same time: Settlements are illegal, but the economic relationship with Israel remains largely unaffected. The new measures begin to close that gap between rhetoric and policy.

That is why they should neither be exaggerated nor dismissed.

They are not the economic equivalent of an international blockade. Nor are they likely to persuade the present Israeli government to abandon its territorial ambitions. But they are a warning that Israel's settlement policy is no longer cost-free in its relations with some of its most important Western partners.

The ultimate test will be whether the warning is followed by consequences.

If the measures remain confined to a relatively small volume of settlement goods, they will probably be remembered as largely symbolic. If they become the first stage of a coordinated policy involving finance, investment, settlement companies, arms transfers and diplomatic relations, they could become much more consequential.

The West therefore faces a choice.

It can continue condemning settlement expansion while watching the map change on the ground, or it can begin attaching tangible costs to policies that it itself declares illegal.

The proposed sanctions are a small step towards the latter. Whether they become a turning point or merely another footnote in the long history of the Israeli-Palestinian conflict will depend not on the announcement, but on what Western governments are prepared to do next.