enquire

# Network Pulse Report

## Question

Students across US universities are setting up tents, barricading buildings, and demanding that their universities cease to profit from Israel's actions towards Gaza. Their chant, "Disclose, divest, we will not stop, we will not rest," reflects their unwavering determination. How feasible is it for universities in the US to divest from Israel? What are the potential consequences, both positive and negative, for universities that choose to divest from Israel? How might this decision impact their financial stability and reputation? Are there precedents or case studies of other universities successfully divesting from contentious investments, and what lessons can be drawn from their experiences? (particularly in the US)

**Geo Expertise** United States of America, Israel

**Subject-matter Expertise** Government and Politics, Conflict and Resolution, Higher Education, Civil Unrest, Civil Society, Protests

**Created Date** 06 May 2024 09:32AM

## Takeaways

- Divestment from Israel is financially infeasible for universities due to the high costs of creating special funds that exclude companies conducting business with Israel, and the potential hit on endowments.
- Universities must consider the potential harm to future funding and prestige before divesting from Israel, as well as the impact on their science, medical, and technology programs which benefit from shared research with Israeli institutions.
- Divestment from Israel could lead to loss of donors, research projects, and funding for universities due to halted cooperative research projects and potential opposition from university donors.
- Legal challenges exist for U.S. universities considering divestment from Israel, with 38 states having resolutions or executive orders banning economic boycotts against Israel.
- The Boycott, Divestment and Sanctions movement has had negligible impact on the Israeli economy but has sociologically made Israel appear as a pariah.

## Answers

**Master of Conflict Resolution and Negotiation**

Israel

6 May 2024 at 2:14 PM local

As financial ties between US universities and Israel are varied and complex, divesting is not a simple streamlined process. These include academic ventures- research, fellowships, student exchange, doctoral and programs, etc. They also include financially lucrative ventures- patents, startups, ties with funds and financial institutions. All are ties that the severing of which will impact financial stability. Also, Israel has leading presence in many academic fields, which makes divesting academically infeasible or even harmful. Other possible implications have to do with academic reputation and the very standing of the academic institutions within American society. The core values of the academic system are based on the scientific method and knowledge based decision making. Political winds are something the universities have historically been relatively immune to, and acting on them can severely harm their academic core identity and legitimacy. Also, the American society is at a crises of faith in the academic institution due to high cost and decreasing post-graduation employability. So, universities will be careful about choosing sides and potentially losing further legitimacy.

**Provost and Professor**

United Arab Emirates

6 May 2024 at 2:15 PM local

As a provost, I navigate complex and emotionally charged higher education issues like divesting from Israel. Divestment may prompt charges of Antisemitism, and failure to divest may prompt charges of supporting genocide. Decision-makers must weigh several factors:  1. Investment Structures: Universities often invest globally, making specific divestments complex.  2. Governance: Divestment requires board approval, and boards prize financial stability. Boards also must also consider the potential for backlash from alumni, donors, and political figures. On the other hand, divestment may appeal to those valuing social justice and attract socially conscious applicants.  3. Students & Faculty: Divestment campaigns usually start from student and faculty activism but need broad consensus to succeed.  4. Legalities: Breaking investment contracts has legal ramifications.  5. Partnerships: Israeli institutions might respond by ending research partnerships, student exchanges, etc.  Precedents like South African apartheid divestment and fossil fuel divestment show mixed financial impacts. However, what remains constant is the need to find viable economic alternatives.

**Research Fellow**

United States of America

6 May 2024 at 4:20 PM local

Divestment from corporate equities that emanate from Israel (such as Israeli corporations) or that include Israeli holdings within a larger corporate structure is difficult, if not impossible. Some 38 states have laws, regulations, or other governmental policies prohibiting economic boycotts of Israel, including one law in Ohio that specifically prohibits public universities in that state from divesting from Israel. Of 9,000 publicly traded companies, only 120 are from Israel. Back in the 1980s, there was a large anti-Apartheid movement calling for divestment from South African stocks.  However, most contemporary portfolios are comprised of mutual funds instead of single-company holdings, and it is very complicated to try to unravel Israeli equities from a larger portfolio that is mostly non- Israeli. Brown University has a potentially easier path if it chooses to divest from Israel, because the focus is only on eleven specific Israeli stocks. Israel's high tech sector, a major part of its global economic presence, would have a difficult time being separated from the world markets in technology. Overall, the SJP and other groups are naive and overly idealistic.

**Associate Professor of Politics**

United States of America

6 May 2024 at 10:06 AM local

It is not feasible for universities to divest from Israel. First, it is impossible to define what that would be. Any company that conducts business in Israel? Even if limited to those that produce technology that the military uses would still be a huge list and include Google and Microsoft, etc. Second, even if you could come up with a defined list of companies, financial institutions would have to create special funds that exclude those companies for the university to invest its endowment in. That is very costly. They would then have to sell their existing funds, which is costly, to move money into these new funds. And these new funds will not earn as much. It would lead to a huge hit on endowments. Institutions who have tried to divest from fossil fuels already found this out. It is too costly. Now enough institutions are interested in climate conscious investing that financial institutions have created special funds that exclude fossil fuels and include green technology companies, etc. But the Israel issue is too narrow and even with these funds, universities are investing small symbolic amounts, not abandoning their major funds that include fossil fuel companies.