Explainer: The U.K., France, and Canada’s West Bank Sanctions

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Overview

On September 8, newly appointed U.K. Foreign Minister Ed Miliband announced an unprecedented set of sanctions targeting Israeli settlement activity. France and Canada immediately joined the ban on imports from Israeli settlements in the West Bank, as well as measures targeting those who facilitate or profit from settlements. The countries emphasized their intention to distinguish between Israel itself, with which they intend to maintain close relations, and Israeli activity beyond the Green Line. That approach differs from a BDS sanctions policy that aims to sanction and isolate all of Israel for its government’s approach to the Palestinians.

The significance of these sanctions lies not only in their impact – which will depend in large part on how broadly they are enforced – but in what they symbolize.

In the past, Israel’s allies often floated similar measures, only to abandon them in the face of political and diplomatic pressure. This time, that pressure appears to have largely dissipated. On settlement expansion and settler violence, Israel is increasingly isolated from even its close allies, including the Trump administration.

If settlement expansion and settler violence continue after Israel’s October 27 election, Israel is likely to face sanctions that are both broader and more severe.

Sanctions and Impact

The U.K., Canada, and France announced they will ban imports of goods produced in Israeli settlements, and “enforce targeted measures against settlements and those who facilitate them or profit from them.” The U.K. has provided the most detail regarding how it intends to implement the targeted measures, announcing it will introduce a “comprehensive” sanctions regime targeting “companies and individuals who provide services such as construction, infrastructure, financing, or real estate for settlement expansion.”

In a separate, more declarative statement, nine European countries joined the U.K., France, and Canada in announcing their intention to either introduce national restrictions on trading with settlements, or support the EU’s implementation of a settlement trade ban.

The import bans on their own are unlikely to have a major impact on the overall Israeli economy. Less than 5 percent of Israeli exports come from settlements, and the three countries, combined, account for under 6 percent of Israel’s exports.

Still, trade bans can substantially impact the economies of individual settlements, several of which rely on specific exports of agricultural products for income. In an indication that these measures could have significant local impacts, the Israeli government is reportedly preparing a safety net for affected businesses.

Sanctions targeting those who finance or facilitate settlement expansion could have significantly more far-reaching consequences. Israel's largest banks have financed settlement construction, provided mortgages for purchases of settlement homes, made loans to settlement councils, and operate branches and ATMs in settlements.

The Israeli government itself also directly finances settlement expansion. In July 2026, Israel's security cabinet allocated $434 million to establish 34 new West Bank settlements. If fully implemented, these sanctions could therefore force Israeli banks and companies – and potentially the Israeli government – to either end their support for settlements or face sanctions.

However, it remains to be seen how far these countries are willing to go in actually implementing the new measures. A narrow regime focused predominantly on trade with settlements would have limited consequences for the broader Israeli economy, even if it might impact some settlements' local economies. A regime that sanctions all those who finance or facilitate settlement expansion could reach deep into the Israeli economy, with potentially greater implications for these countries' bilateral relationships with Israel.

Perhaps the most realistic scenario is something in between these two poles, where the U.K., France, and Canada sanction some of the most extreme supporters of settlement construction. The specter of sanctions on major Israeli financial institutions might then pressure them to wind down their support for settlement construction. The outstanding question, however, is how these countries will react if major Israeli companies refuse to stop supporting settlements. Will they indeed sanction major Israeli institutions, or fail to enforce their sanctions?

Israel's Response and Consequences

Israel responded to the announcement by downgrading several aspects of its bilateral relationship with the U.K. It ordered the closure of the British Consulate in East Jerusalem, removed British representatives from the U.S.-led Civil-Military Coordination Center (CMCC) for Gaza, terminated the U.K.'s program for training Palestinian Authority security forces in the West Bank, and barred 12 British nationals, including current and former elected officials, from entering Israel.

It remains to be seen how Israel responds once these measures are actually enforced. A key concern is potential retaliation against the Palestinian Authority. In May 2025, for instance, Israel halted all transfers of Palestinian tax revenues in response to international efforts to recognize a Palestinian state.

If countries indeed move to sanction Israeli banks, there is a substantial risk that Israel will retaliate by undermining the viability of Palestinian banks. Israeli banks – or the Israeli government – could restrict Palestinian banks' access to Israeli correspondent banks, which are essential to their ability to process payments and facilitate Palestinian trade.

The Broader Political and Diplomatic Significance

The most significant lasting aspect of these new measures may still be the political and diplomatic message they send. The unprecedented extent of the sanctions reflects both longstanding frustration among European governments over Israel's efforts to undermine any prospects for a Palestinian state, and widespread public opposition to Israel's conduct in Gaza and the West Bank.

That the Trump administration, long a staunch defender of Netanyahu, chose not to oppose the steps taken by the Europeans and Canada is perhaps even more noteworthy. After being briefed on the move by British Prime Minister Andy Burnham, President Trump did not push back or ask him to change course. Secretary of State Marco Rubio issued a muted response, failing to condemn the sanctions and saying the U.S. "shares the [U.K.'s] goal of stability."

And although U.S. Ambassador to Israel Mike Huckabee, a long-time ally of the Israeli settlement movement, spoke out against the U.K.'s sanctions, the White House quickly distanced itself from his comments. The ambassador himself has recently shifted his tone, too, describing settlers who besieged the home of a U.S. citizen in Qusra as "terrorists" and suggesting they could face U.S. sanctions.

Even in Congress, where any punitive steps against Israel have historically been met with strong condemnations, only a handful of Republican representatives spoke out. Staunchly pro-Israel Democrats have remained silent, and several prominent Democrats expressed support. This likely reflects a dramatic drop in support for Israel across the political spectrum, with recent polls now showing that 60% of Americans hold an unfavorable view of Israel.

The Netanyahu government today stands virtually alone when it comes to defending the dramatic increase in settlements and settler violence. The absence of any Trump administration pushback may yet encourage other countries to follow suit. And while the Trump administration will likely continue to oppose any action against Israel at the United Nations, if there is a Democratic administration in 2029, the door may be open for the type of multilateral steps that would dramatically increase the cost to Israel of continuing the settlement enterprise.

Much of this will depend on the Israeli elections in October. Even U.K. Foreign Minister Ed Miliband stressed that full implementation of the sanctions will depend on the next Israeli government, implying that a more moderate coalition that changes course in the West Bank and Gaza may stave off the toughest measures. Making the announcement now puts the choice to the Israeli public in advance of what will be a very consequential election for Israel's future.