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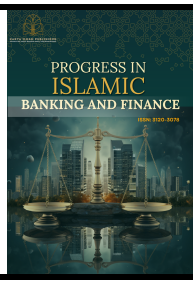

Opinion: Strategic Implications of the Boycott, Divestment and Sanctions (BDS) Movement on *Zakat* Payment in Malaysia – A Theoretical and Policy Perspective

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ABSTRACT

This paper explores the intersection of the Boycott, Divestment, and Sanctions (BDS) movement and *zakat* obligations among companies perceived as Israeli-friendly in Malaysia. It examines how Islamic principles, stakeholder expectations, and corporate legitimacy intersect in shaping business responses to boycott pressures. Drawing on Stakeholder Theory, Corporate Social Responsibility (CSR) Theory, and Legitimacy Theory, the study analyzes how companies navigate reputational risks, religious obligations, and consumer activism. The paper also evaluates historical precedents, such as Malaysia's foreign policy under Mahathir Mohamad, and proposes a structured framework for strategic BDS implementation that aligns with Islamic ethical principles and national economic interests.

1. Introduction

Boycotts have long served as a powerful form of civil resistance, enabling communities to express dissent and advocate for justice through economic means. In Islamic discourse, boycotts can be interpreted as a form of jihad fi sabilillah, a non-violent struggle in the path of God. This is particularly conducted through economic channels. As Yunus *et al.*, [28] argue, the act of boycotting entities that support oppression can be seen as a legitimate extension of jihad, especially when it involves the protection of Muslim interests and solidarity with oppressed communities.

The Israeli-Palestinian conflict, one of the most enduring and polarizing geopolitical issues of the modern era, has sparked a wide range of responses globally. These include diplomatic interventions,

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humanitarian aid, and grassroots movements such as the Boycott, Divestment, and Sanctions (BDS) campaign. Launched in 2005 by Palestinian civil society, the BDS movement calls for non-violent pressure on Israel to comply with international law by ending its occupation, recognizing the rights of Arab Palestinian citizens, and allowing the return of refugees [17]. In Malaysia, a Muslim-majority country with a strong pro-Palestinian stance, the BDS movement has gained significant traction, particularly during periods of heightened conflict in Gaza.

The Malaysian public has responded to BDS calls by targeting multinational corporations perceived to be aligned with or supportive of Israeli policies. Companies such as McDonald's, Starbucks, and Nestlé have faced boycotts due to actions taken by their Israeli franchises, such as providing aid to the Israeli Defense Forces (IDF). Although these Malaysian franchisees often publicly distance themselves from their parent companies' actions by emphasizing their Muslim ownership, local zakat contributions, and support for Islamic causes. Nevertheless, they continue to face reputational damage and consumer backlash.

This dynamic raise critical questions about the intersection of religious obligations, corporate responsibility, and consumer activism. In Malaysia, zakat is a mandatory form of almsgiving in Islam which is not only a religious duty but also a component of corporate social responsibility (CSR). Companies that are targeted by BDS campaigns often highlight their zakat contributions as evidence of their alignment with Islamic values and their commitment to social justice. However, the effectiveness of such strategies in restoring public trust remains contested.

Moreover, the Malaysian experience with BDS reflects broader tensions between global franchise structures and local ethical expectations. While local companies may operate independently, their brand affiliations can subject them to scrutiny based on the actions of their international counterparts. This has led to calls for more context-sensitive and strategic boycott frameworks, which distinguish between direct complicity and perceived association [10].

In this paper, we explore the implications of the BDS movement from theoretical perspective on zakat practices among companies perceived as Israeli-friendly in Malaysia. We examine how Islamic principles, stakeholder expectations, and corporate legitimacy intersect in shaping business responses to boycott pressures. By analyzing historical precedents, theoretical frameworks, and contemporary case studies, this study aims to provide a nuanced understanding of how economic activism and religious obligations coalesce in the Malaysian context.

2. Issue

In recent years, Malaysia has witnessed a surge in boycott activities targeting Israeli products and companies perceived to support Israel's policies, particularly in response to the ongoing conflicts in Gaza. These efforts reflect strong public solidarity with the Palestinian cause. However, analysts argue that the boycott movement in Malaysia often lacks strategic cohesion and organization, which limits its overall effectiveness. This paper explores the intersection of the Boycott, Divestment, and Sanctions (BDS) movement and zakat payment obligations by companies perceived as Israeli-friendly, analyzing the socio-political, economic, and religious dimensions of this phenomenon from theoretical perspective.

3. Historical and Political Context

3.1 Mahathir Mohamad's Foreign Policy Legacy

During Mahathir Mohamad's tenure as Prime Minister (1981–2003), Malaysia adopted assertive foreign policy positions that often led to international tensions. His administration was marked by a

strong stance against Western hegemony and a focus on non-Western modernization. One of the most notable initiatives was the "Buy British Last" campaign, launched in response to perceived British arrogance and unfavourable economic policies [5]. Mahathir also took a firm anti-Commonwealth stance, particularly criticizing the UK's reluctance to impose sanctions on apartheid South Africa. His leadership at the 1985 and 1989 Commonwealth Conferences was instrumental in pushing for stronger action against apartheid [4].

Additionally, Mahathir's Look East Policy encouraged emulation of Japan and South Korea's economic models, aiming to reduce Malaysia's dependency on Western economies [5]. His pragmatic approach to Malaysia-China relations also led to increased trade and investment, reflecting a broader strategy of diversifying international alliances [12].

3.1.2 Malaysia's anti-Israel stance

Malaysia has historically maintained a strong anti-Israel position, influenced by its alignment with Arab nations and domestic Islamic sentiments. This stance has been consistent since independence in 1957 [26]. Under Mahathir's leadership has reinforced Malaysia's support for the Palestinian cause. Malaysia has consistently maintained a strong anti-Israel position since gaining independence in 1957. This stance is rooted in both domestic Islamic sentiments and Malaysia's alignment with Arab and Muslim-majority nations. From the early days of the Federation of Malaya, leaders such as Tunku Abdul Rahman expressed reluctance to establish diplomatic ties with Israel due to strong opposition from the Muslim population and pressure from Middle Eastern countries.

Mahathir was known for his outspoken criticism of Israel and its allies, often using international platforms to condemn Israeli policies and advocate for Palestinian rights. He argued that the Palestinian struggle was not terrorism but a legitimate act of self-defences against occupation and oppression. Under Mahathir's leadership, Malaysia granted full diplomatic recognition to the Palestine Liberation Organization (PLO) in 1982, making it one of the earliest countries in Southeast Asia to do so [8]. He also supported resolutions within the Organisation of Islamic Cooperation (OIC) that called for severing ties with countries that recognized Jerusalem as Israel's capital. Mahathir's administration frequently used Malaysia's position in international forums, such as the United Nations and the Non-Aligned Movement, to highlight the plight of Palestinians and criticize Western double standards in addressing Middle Eastern conflicts.

Malaysia's refusal to recognize Israel remains unchanged to this day. The country continues to deny entry to Israeli passport holders and maintains no formal diplomatic relations with Israel. Malaysia's official position is that recognition of Israel is contingent upon its withdrawal from occupied Palestinian territories and the establishment of a sovereign Palestinian state based on pre-1967 borders, with East Jerusalem as its capital. This unwavering stance has not only shaped Malaysia's foreign policy identity but also influenced domestic political discourse and civil society activism, including the widespread support for the Boycott, Divestment, and Sanctions (BDS) movement. It reflects a broader commitment to Islamic solidarity and justice, principles that continue to resonate deeply within Malaysian society.

3.2. The BDS Movement in Malaysia - Origins and Evolution

The emergence of the BDS movement in Malaysia is rooted in both international and domestic factors. Globally, the movement gained momentum in response to Israeli policies perceived as oppressive, particularly after the failure of peace initiatives like the Oslo Accords and the Second Intifada. Social media has played a pivotal role in amplifying boycott campaigns, especially among

Malaysian youth. Online platforms enable rapid dissemination of boycott calls but also contribute to the fragmented nature of the movement, highlighting the need for better coordination [24].

3.2.1. Economic implications of boycotts

Boycotts have significantly influenced Malaysian consumer behavior. Fast-food chains like McDonald's and Burger King have faced boycotts during recent Gaza conflicts, affecting their market share and prompting local competitors to capitalize on the opportunity [21. However, analysts caution that such trends may be temporary, as internet-driven boycotts often have short lifespans [21].

3.2.2 Risks to the Malaysian economy

Economic experts warn that unstructured or blanket boycotts could harm the Malaysian economy by affecting foreign investment, employment, and local equity ownership in multinational firms [11]. For example, boycotts against companies linked to Israel may destabilize local markets and jeopardize jobs for Malaysian workers. While boycotts can raise awareness and empower consumers, they also risk reducing tax revenues and harming local employment if not carefully managed.

3.2.3. Zakat and corporate responsibility

Zakat, one of the five pillars of Islam, is a mandatory form of almsgiving for Muslims and is also applicable to businesses under Islamic finance principles. In Malaysia, corporate zakat is regulated and contributes significantly to social welfare. The boycott of Israeli and American products intensified during Israeli offensives on Gaza, although it had been ongoing prior to that. Several NGOs and businesses organized campaigns in response. These actions raise questions about the zakat obligations of companies targeted by BDS. If such companies are boycotted and their revenues decline, their zakat contributions may also be affected. This creates ethical dilemmas for Muslim consumers and businesses regarding whether to support or boycott companies that contribute to zakat but are perceived as complicit in supporting Israeli policies.

4. Theoretical Frameworks Supporting Strategic BDS and Zakat Responses

i. Stakeholder Theory

Stakeholder theory posits that businesses must consider the interests of all stakeholders—not just shareholders—in their decision-making processes. In the context of BDS and zakat in Malaysia, stakeholders include consumers, religious authorities, NGOs, employees, and investors. This theory is particularly relevant in Muslim-majority societies where religious and ethical expectations significantly influence corporate behavior.

In Malaysia, Muslim consumers exert considerable influence on corporate practices, especially when companies are perceived to be complicit in supporting Israeli policies. Stakeholder pressure can lead companies to adjust their strategies, including their zakat contributions, to align with public sentiment. As noted by Vishwanathan *et al*., [25], stakeholder reciprocation mechanisms suggest that when firms engage in socially responsible behavior, stakeholders respond positively, enhancing the firm's reputation and performance.

This theory supports the idea that companies under BDS scrutiny may increase transparency in zakat reporting or redirect zakat funds to causes aligned with stakeholder values, such as Palestinian humanitarian relief.

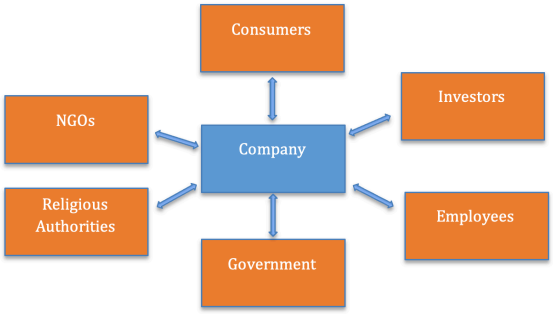

Fig. 1. Stakeholder theory

ii. Corporate Social Responsibility (CSR) Theory

CSR theory emphasizes that companies have ethical obligations beyond profit-making, including social, environmental, and religious responsibilities. In Malaysia, CSR is increasingly seen as a strategic tool for managing public perception and maintaining social license to operate. CSR Malaysia, for instance, highlights how corporations are expected to contribute to socio-economic transformation and community development through sustainable and ethical practices [15].

Zakat, as a religious obligation, is often integrated into CSR frameworks in Muslim-majority countries. Companies may increase zakat contributions or publicize their charitable activities to demonstrate alignment with Islamic values and regain public trust during boycott campaigns. This aligns with the findings of Masum *et al*., [14], who argue that CSR initiatives can serve as a competitive advantage and a means of gaining recognition as responsible corporate citizens3. Moreover, CSR activities can mitigate reputational damage from BDS campaigns by showcasing a company's commitment to ethical conduct and community welfare. This is particularly important in Malaysia, where public expectations for corporate behaviour are shaped by both Islamic principles and global CSR standards.

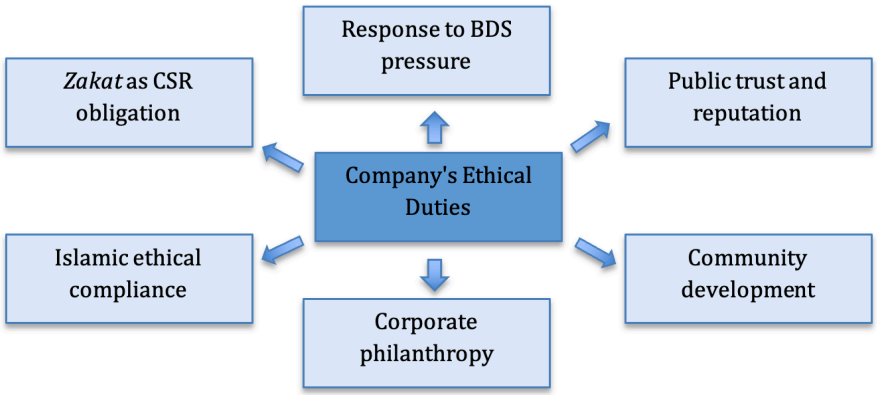

Fig. 2. Corporate Social Responsibility (CSR) theory

iii. Legitimacy Theory

Legitimacy theory suggests that organizations seek to operate within the norms and values of their societies to maintain legitimacy. In Malaysia, where Islamic values are deeply embedded in the

socio-political fabric, legitimacy is closely tied to compliance with religious obligations such as zakat. According to Olateju *et al*. (2021), legitimacy theory explains how CSR can be used to align corporate behavior with societal expectations, thereby reducing reputational and operational risks1. When companies are targeted by BDS campaigns, their legitimacy may be questioned. In response, they may use zakat and other CSR initiatives to restore public confidence and demonstrate their commitment to societal values.

This theory also supports the strategic use of CSR to maintain market position and stakeholder trust. As Guthrie *et al*. (2006) argue, legitimacy is not static but must be continuously earned through actions that reflect the values of the community1. In this context, zakat becomes not only a religious duty but also a strategic tool for legitimacy management.

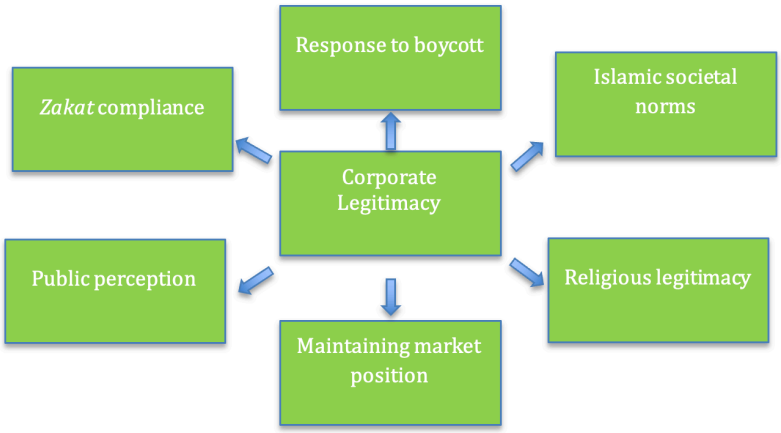

Fig. 3. Legitimacy theory

4. Strategic Planning and Policy Recommendations

4.1 Lessons from Past Boycotts

The Mahathir era provides valuable lessons in using boycotts as strategic tools. His administration demonstrated how targeted economic actions could be used to assert national interests and support global justice causes, such as the anti-apartheid movement. Malaysia's historical use of boycotts, particularly during the Mahathir era, offers valuable lessons in strategic activism. The "Buy British Last" campaign, for instance, was not merely a reactionary move but a calculated effort to assert Malaysia's economic independence and challenge perceived neo-colonial attitudes. Similarly, Mahathir's leadership in the Commonwealth's anti-apartheid stance demonstrated how coordinated diplomatic and economic pressure could influence international policy. These examples underscore the importance of aligning boycott strategies with broader national interests and diplomatic goals.

4.2 Toward a Structured BDS Framework

It is important to consider the potential of collateral damage which should be avoided. This can be achieved if the boycott efforts are strategically planned. This includes identifying companies directly complicit in supporting Israeli policies, minimizing harm to local workers, and ensuring that zakat contributions are not unduly disrupted which is consistent with Abbas *et al*., [1] findings that in Muslims dominant countries, such impact is visible. The BDS movement in Malaysia could benefit from a structured model that integrates strategic planning, economic analysis, and religious considerations. In the context of the BDS movement, these lessons suggest that Malaysia's approach

should be similarly strategic by targeting entities with direct complicity in Israeli policies while minimizing harm to local economic interests and employment.

- Clear Criteria for Targeting Companies: Companies should be assessed based on verified links to Israeli military or settlement activities. Blanket boycotts without due diligence risk harming local franchises and employees who may have no connection to the parent company's policies.
- Zakat Integration and Ethical Considerations: Companies that are major zakat contributors must be evaluated carefully. A decline in their revenue due to boycotts could reduce zakat funds available for distribution to asnaf (eligible recipients), potentially undermining poverty alleviation efforts. A study by Azhar *et al*., [2] found that zakat institutions in Malaysia prioritize the poor (fakir and miskin) and wayfarers (ibn sabil), with zakat playing a critical role in social welfare.
- Policy Alignment with maqasid Shariah: Zakat management should align with the objectives of Islamic law (maqasid Shariah), which emphasize the protection of religion, life, intellect, lineage, and wealth. This alignment ensures that boycott strategies do not inadvertently harm the very communities they aim to support.
- Public Education and Transparency: Public awareness campaigns should clarify the rationale behind targeted boycotts and the ethical considerations involved. Transparency in decision-making can build trust and encourage more consistent participation.
- Collaboration with Zakat Institutions: Zakat bodies such as Lembaga Zakat Selangor (LZS) and Majlis Agama Islam Wilayah Persekutuan (MAIWP) should be involved in discussions about the economic impact of boycotts. Their insights can help balance activism with the need to sustain zakat contributions.
- Monitoring and Evaluation Mechanisms: A dedicated task force or advisory council could be established to monitor the economic and social impacts of boycott campaigns. This body would assess whether the intended political objectives are being met and recommend adjustments as needed.

By adopting a strategic, evidence-based approach, Malaysia can ensure that its support for the Palestinian cause is both impactful and sustainable—preserving economic stability while upholding Islamic ethical principles.

7. Conclusion

The intersection of the Boycott, Divestment, and Sanctions (BDS) movement and zakat obligations in Malaysia presents a complex yet critical area of inquiry, particularly in a socio-political climate where religious, economic, and ethical considerations are deeply intertwined. This paper has explored how the BDS movement, driven by solidarity with the Palestinian cause, has influenced corporate behavior, consumer activism, and religious obligations in Malaysia.

Historically, Malaysia's foreign policy under leaders like Mahathir Mohamad laid the groundwork for assertive, values-driven international engagement. His administration's strategic use of boycotts, such as the "Buy British Last" campaign and anti-apartheid advocacy, demonstrated how economic tools could be leveraged to support global justice while reinforcing national identity. These precedents offer valuable lessons for structuring contemporary BDS efforts in a way that is both principled and pragmatic.

The rise of the BDS movement in Malaysia has been fueled by a combination of international developments and domestic activism. Social media has amplified these efforts, particularly among youth, but has also contributed to fragmentation and inconsistency. While consumer boycotts have successfully shifted market dynamics—evident in the declining patronage of multinational fast-food

chains—analysts caution that uncoordinated actions may harm local economies, reduce zakat contributions, and destabilize employment.

From a theoretical standpoint, the application of Stakeholder Theory, Corporate Social Responsibility (CSR) Theory, and Legitimacy Theory provides a robust framework for understanding corporate responses to BDS. Stakeholder Theory emphasizes the need for companies to consider the expectations of diverse groups, including Muslim consumers and religious authorities. CSR Theory highlights the ethical imperative for businesses to go beyond profit-making, using tools like zakat to demonstrate social responsibility. Legitimacy Theory underscores the importance of aligning corporate behavior with societal norms—particularly Islamic values in Malaysia—to maintain public trust and operational continuity.

Zakat, as both a religious obligation and a CSR instrument, plays a pivotal role in this landscape. Companies targeted by BDS may strategically increase zakat contributions or redirect them to humanitarian causes to restore legitimacy and align with stakeholder expectations. However, this must be done with caution to avoid undermining the broader zakat ecosystem, which supports vulnerable populations across Malaysia.

Likewise, to ensure that BDS efforts are effective and sustainable, this paper recommends the development of a structured national framework. Such a framework should include clear criteria for targeting companies, collaboration with zakat institutions, public education campaigns, and ongoing monitoring of economic impacts. By integrating strategic planning with Islamic ethical principles, Malaysia can lead a model of principled activism that supports the Palestinian cause while safeguarding domestic economic and social stability.

In conclusion, the BDS movement in Malaysia is more than a political statement. This a reflection of the nation's evolving identity, values, and global engagement. When aligned with strategic foresight and religious integrity, it has the potential to serve as a powerful tool for justice, solidarity, and socio-economic resilience.

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