A New Horizon? Assessing The Abraham Accords’ Economic and Political Effect on Israel 18 Months After Their Conclusion

Introduction

In 2020 Israel concluded four agreements, known as the "Abraham Accords", with four geographically distant partners: the United Arab Emirates (UAE), Bahrain, Morocco, and Sudan. The common denominator for these otherwise very different partners is their being Muslim countries, which previously avoided formal diplomatic relations with Israel, as an expression of support for the Palestinian people's position in their ongoing conflict with Israel.

These agreements were concluded within a short time, after rapid negotiations, sponsored by the United States under President Donald Trump's administration. Furthermore, the United States offered certain economic and security benefits to the parties, to encourage them to sign the agreements. (Guzansky and Feuer, 2021).

The Abraham Accords were engineered to change the political and economic reality in the Eastern Mediterranean region, and indeed, already introduce some impressive results.

This article revisits the Abraham Accords some eighteen months after their conclusion, to assess their economic and political effects. The first section examines whether and to what extent the legal framework chosen by the parties serves the goals of the agreements. The second section examines the economic collaboration facilitated by the agreements so far, and its future potential. The third section analyzes the political effect of the agreements, in the regional context. The fourth section concludes, suggesting an overall assessment of the agreements' effect.

The Legal Framework

Regional Agreements with Distant Partners

The term 'regional agreements' allegedly implies geographic proximity. Indeed, in the past, regional trade agreements were more common among geographically neighboring countries. The Abraham Accords and the following international trade agreements with their partners illustrate the global change of this perception in recent decades, emanating from the considerable

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The UAE was interested in access to advanced American weapon systems. Bahrain was interested to improve its relations with the US to ensure support against the Iranian threat. Sudan was interested that the US remove its name from the State Sponsors of Terrorism list after twenty-seven years, and in an accompanying aid package of $1 billion from the World Bank. Morocco wanted the US to formally recognize its sovereignty in the Western Sahara.
improvement of global communication, transport, etc. as well as from the growing share of services (particularly through cross border supply) in global trade. \(^2\)

*The United Arab Emirates* is located at the Eastern end of the Arabian Peninsula, some 2,500 KM from Israel. *Morocco* is located in the Maghreb region of North Africa. It overlooks the Mediterranean Sea to the North and the Atlantic Ocean to the West. Its distance from Israel is 5,267 KM. \(^3\) *Bahrain* is an island country in Western Asia, located in the Persian Gulf. It is composed of 50 natural islands and 33 artificial islands. It is 1,905 KM far from Israel. 0 about this future regime. This political paralysis drags Sudan into a dangerous position. (Africanews, 2022). Israel is a democracy, ruled by an elected government, headed by a prime minister. Its president holds a representative position.

Population:

Two of Israel's four partners in the Abraham Accords are relatively big countries: *Moroccan* population consists of almost 38 million people (World Population Review, 2022) while *Sudan's* exceeds 45 million citizens (Worldometer, 2022). The other two are considerably smaller: *The UAE's* population exceeds 10 million people,\(^5\) the closest of the four to Israel's population, exceeding 9 million citizens. *Bahrain's* population exceeds 1.78 million (Macro Trends, 2022).

Economic Profile:

The economic profiles of these partners also differ considerably.


**Unemployment rate**: in the UAE before the COVID-19 crisis was low, 2.5-2.6%. In 2021 it reached 5% (Take-Profit, 2022). In Morocco, it was 8-9% before the crisis (Trading Economics, 2022) and now it exceeds 12% (CEIC, 2022), in Bahrein – before the crisis, in 2019, it was very low: 1.56%. During the crisis, in 2020, it reached 4.09% (Macrotrends, 2022). In Sudan, the unemployment rate before the crisis, in 2019, was already high: 16.8%. It

\(^2\) Goods are traded by cross border trade, while services are traded in four modes of supply (Art. I GATS): *cross border supply* (services cross borders while suppliers stay in the country of origin), *consumption abroad* (service consumers cross the border to consume the service), through *commercial presence* established in the host country, or by presence of *natural persons* (suppliers) in the host country where they supply the service.

\(^3\) The WTO agreements GATT (Article XXIV) and GATS (Article V), acknowledging regional trade agreements, do not refer to geographic distance. In recent years regional trade agreements became a major engine for global trade enhancement, in light of the WTO's ongoing stagnation. (See details in: Pakpahan, N.D.).

\(^4\) Nevertheless, in European Union's eyes both countries belong to the Mediterranean region, which is subject to the Euro Mediterranean Partnership (EU Commission, 2022) and UFM policy (UFM, 2022).

\(^5\) 8.92 million of the which are expats (GMI, 2022).

\(^6\) Before the COVID-19 crisis, in 2018, it exceeded 24,000$.
peaked at 17.7% during the crisis. In Israel, the unemployment rate has recently returned to its size before the COVID-19 hit, some 3%. (Israeli Central Bureau of Statistics, 2022).

**Inflation:** In the UAE, the inflation rate at the beginning of 2022 was 2.5%, in Morocco – 3.2%, in Bahrein – 2.3% but it was considerably reduced to 0.6%, and in Sudan – 1.24% at the end of 2021, also considerably reduced from previous months. (Trading Economics, 2022). Nevertheless, Sudan is facing a severe macroeconomic crisis. (Reliefweb, 2022). In Israel, inflation in 2021 was 2.8% and is gradually rising. In 2022 it has already reached 4%. (Israeli Central Bureau of Statistics, 2022a).

In terms of economic status, out of 137 countries (Israel is not ranked), the UAE was ranked 14, Morocco 47, Bahrein 50, and Sudan 132. In terms of governance, the UAE was ranked 16, Morocco 69, Bahrein 109, and Sudan 13118. (BTI Transformation Index, 2022).

Economic Performance and Major sectors:

The UAE’s economy is very competitive. It enjoys little bureaucracy, ranked 16 out of 190 economies in the Ease of Doing Business ranking (World Bank, 2020, 16), enjoying 45% growth in a decade. Aiming at varied revenue resources, the UAE offers a comfortable business environment of low taxes, high incentives, and modern infrastructure, including some free trade zones where 100% foreign-owned businesses may operate, paying 0% taxes.

It is ranked high in all economic and business global parameters. Oil and gas form a major sector of its economy (source for some 25% of its GDP). In recent years it took efforts that turned it into the most diversified economy among the Middle East and North Africa (MENA) countries. Other important sectors of its economy include wholesale and retail (some 12.5% of GDP) tourism (12%), insurance, and finances (9%). (Peskin, 2020).

Morocco is the fifth largest economy in Africa. The services sector accounts for over half of its GDP. One of the most important services sectors is tourism. Mining, construction, and manufacturing form an additional 25% of its GDP. Agriculture is another important sector, employing about 40% of the Moroccan workforce, Morocco enjoys the best infrastructure ranking in Africa and is striving to diversify its energy supplies, particularly with renewable resources, such as sun and wind. Morocco invests considerable efforts in establishing desalination plants, to fight the regional water scarcity.

In previous years, Bahrain was considered a very fast-growing economy, with petroleum production and processing being its major export product, followed by aluminum production. However, in recent years, even before the COVID-19 pandemic hit, its growth has been moderated. It depends heavily on food imports, and suffers from high unemployment rates, and the regional growing water scarcity.

Sudan – despite its great economic potential, the Sudanese economy is fragile, due to its political fragility. In terms of economic freedom, it is scored 174 in the world, the last of 47 sub-Saharan Africa region countries. In recent years it has experienced slow or negative growth. The secession of South
Sudan cost it two-thirds of its oil revenue. Approximately half of its population is at or below the poverty line. (Index of Economic Freedom, 2022).

The considerable economic differences among the four partners may explain why it was decided to conclude four different bilateral agreements instead of one regional agreement, even though one multilateral agreement could have involved less effort. This choice implies flexibility in the sense that the enhancement rhythm of each relationship depends on the bilateral will and priorities of the parties rather than on other parties which may have other agendas or priorities. This modular structure reduces the interdependence between the four agreements, ensuring that the agreements should not necessarily be adversely affected in case one of them fails. Indeed, the time that passed since their conclusion reflects different rhythms of advancement.

The separation between the four agreements also ensures maximal adaptation to their parties' needs and expectations, which may differ considerably due to their very different profiles.

Political sensitivities of the four partners may also partly explain this choice. Thus for example, the political relationships between the UAE and Morocco, which was one of the supporters of the UAE’s establishment in the 1970s, have escalated since the Gulf crisis in 2017, adversely affected also by the Yemen war and the crisis in Libya.

Furthermore, they may affect the agreements' performance. Thus, for example, Morocco experiences an ongoing dispute with Algeria over Western Sahara. This region is held by the Front Polisario, a national liberation movement representing the Sahrawi people in the resistance against the Moroccan occupation, which Morocco perceives as a dangerous terrorist power. Morocco detached its diplomatic relations with Algeria due to its alleged support of the Front Polisario. In addition, Morocco has an ongoing territorial dispute with Spain over Ceuta and Melilla. Morocco expects its political and economic allies to support its position in these disputes and its claim for the respective lands.

Sudan suffers from decades of political instability and civil war, due to which some 6,400 Sudani citizens (Hotline, 2022) escaped to Israel as refugees, asylum seekers, and illegal economic immigrants. One of Israel’s interests in concluding the agreement with Sudan is to solve this issue. The

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7The UN recognizes Polisario as a legitimate representative of the Sahrawi people and Western Sahara, a former Spanish colony, as a Non-Self-Governing Territory according to Article 73 of the UN Charter, where the Sahrawi people have the right for self-determination.
8Out of the four partners, Sudan has recognized Moroccan sovereignty over Western Sahara. So did Bahrain (Moroccan Ministry of Foreign Affairs, 2020).
9Thus, for example, this dispute has been addressed by the European General Court and European Court of Justice (Case C-104/16 P Council v. Front Polisario). Front Polisario claimed that by de facto applying the EU-Morocco Liberalization Agreement amending their Association Agreement to Western Sahara the EU continues to encourage Morocco's economic domination in the region, thus undermining the right of the Sahrawi people for self-determination. The GC accepted this claim, which was later rejected by the CJEU, denying their standing. For implications see, e.g., Kube, 2017; Frid de Vries, 2018; Kassoti, 2020.
ongoing political instability and constant regime changes make it difficult to turn that agreement into reality.

Framework Agreements

Due to the rapidness of the Abraham Accords’ conclusion, they were engineered as framework agreements, to be followed by more specific agreements on the different aspects they cover. Such aspects of collaboration may involve trade, tourism, security, transportation, communication, technology, energy, finance, health, and global warming challenges. The agreements are also expected to facilitate indirect trade and economic collaboration with Arab countries with which Israel has no diplomatic relations.

The enhancement of economic relations between Israel and the four partners requires a network of deeper agreements, such as free trade area (FTA) agreements, removing barriers to trade in goods and services, bilateral investment agreements (BITs), ensuring that foreign direct investments and the fruits they yield would not be confiscated by the host country, treaties for the avoidance of double taxation that may be imposed on individuals or legal entities in their country of origin and the host country. In turn, such agreements pave the way to enhanced business cooperation between industries in all parties.

In the eighteen months that have passed since the Abraham Accords’ conclusion, some such specific agreements were already concluded between Israel and three of the four partners: UAE, Morocco, and Bahrain:

The UAE – in 2021 trade between the parties amounted to 900 million $. In April 2022 the parties initialed a free trade area agreement covering trade in goods and services, government procurement, and intellectual property rights. (Lior and Eichner, 2022). A treaty for the avoidance of double taxation was concluded between the parties in May 2021. (Israeli Ministry of Finance, 2021) and a Bilateral Investment Treaty was initialed in October 2020 (Israeli Ministry of Finance, 2020). Industrial agreements concluded between the parties include the selling of 22% holdings of Israeli Delek company in the gas field Tamar in the Mediterranean Sea to Mubadala Petroleum, owned by the Abu Dhabi government, a binding memorandum of understanding signed by the Trans-Israel pipeline company to transport Emirati oil from the Mediterranean to the Red Sea, collaboration between Israeli shipyards and DP World from Dubai to acquire Haifa Port as part of its privatization process. Israeli Aerospace Industries concluded an agreement with Etihad Airlines from Abu Dhabi to convert passenger planes to cargo configuration and announced cooperation with EDGE, a UAE advanced technologies group. (Guzansky and Feuer, 2021). A business collaboration agreement between the Israeli

\[\text{such barriers may be imposed directly, in the form of import duties or quotas, or indirectly, in the form of burdening regulation, administration etc.}\]
Manufacturers’ Association and the Investment Development Agency in Dubai was concluded in April 2021. (Lior, 2021).

Morocco – despite a little hesitant beginning, with an agreement that avoided mentioning embassies and ambassadors, noting for the mutual reopening of liaison offices, in December 2020 the Finance Ministries of both parties signed a collaboration agreement on finances and investments. (Tzwick and Kahana, 2020). In 2021 trade between the parties was estimated by the Israeli Ministry of Economy and Industry at 131 million $. A mutual agreement for economic and trade cooperation was concluded between the parties in February 2022, aiming at increasing the mutual trade volume to 500 million $ within five years. In August 2021 Israel and Morocco signed a cooperation agreement on Cyber protection.

As to industrial collaboration, in March 2022 the manufacturer's organizations of both parties concluded a cooperation agreement between them. (Lior, 2022). Direct commercial flights were launched, facilitating tourism between the parties. The Israeli Marom company acquired 30% of the Moroccan company Gaia Energy, advancing renewable energy projects.

Bahrain – an agreement for economic cooperation between the parties was initialed in July 2021. The Israeli Ministry of Economy and Industry assessed the trade potential between them in hundreds of millions of dollars. The major potential fields for collaboration may be health and medical equipment, agro-technology, water technologies, communication, building, and cyber technologies. The Bahraini developed financial sector could serve as a gate to Israeli companies interested in developing business in the Persian Gulf. (Israeli Ministry of Economy and Industry, 2021). In February 2022 the parties announced the negotiations' enhancement towards a bilateral investment treaty and a treaty for the avoidance of double taxation. (Israeli Prime Minister's Office). The announcement mentions industrial collaboration agreements concluded between the parties, in fields such as medicine, water, alternative energy, agriculture, food safety, science, R&D, innovation, fin-tech, cyber, etc. This temporary list reflects well the fact that relations with the UAE and Morocco advance faster than with the two other partners, and that the development of relations with Sudan is the slowest of the four. (Guzansky and Feuer, 2021). This fact is not surprising, since Sudan was the least keen partner of the four from the beginning, and some believe that it concluded the agreement with Israel only to satisfy the US. Its political instability and the severe macroeconomic crisis it suffers may be other reasons.

111Turkey's renewed interest in improving its relations with Israel and with the UAE could yield additional economic benefits to the parties (Guzansky and Lindenstrauss, 2022).
The Political Aspect

A New Formula for Peace

From the political aspect, the Abraham Accords offer an alternative to the old "peace for land" formula, which was perceived for many years as the only formula to solve the Israeli-Arab conflict. This old formula proved to be ineffective, dragging the entire area to ongoing hostilities rounds and stagnation. Nevertheless, the international community, represented by the United Nations or by major players such as the European Union, stuck to it as the only possible formula for a solution, thus indirectly contributing to the continuation of the dead-end and frustration in the region.

The Abraham Accords suggest a new, alternative formula of "peace for peace". This change of perception has been relatively easily accepted by their four Muslim partners since they do not share any land borders or land conflicts with Israel. However, they illustrate that such a formula may yield more productive results than the previous one, in a way that may inspire other countries in the region to adopt it.

Changing the Regional Power Equilibrium

After 18 months, the Abraham Accords already seem to contribute to a changing equilibrium of powers in the region:

- **Relations with Israel's Peace Agreements' Partners: Egypt and Jordan**, partners sharing land borders with Israel, concluded with it peace agreements in 1977 and 1994, respectively, but kept a cold peace with Israel. They are not parties to the Abraham Accords. Nevertheless, these accords and their following developments seem to trigger them towards more active collaboration with Israel, initiating regional projects for the mutual benefit of the regional citizens. Thus, last November Israel and Jordan concluded a framework agreement providing for a feasibility examination of a joint venture by which Israel will perform water desalination for Jordan in a plant built specifically for this purpose in Israel, while Jordan will produce for Israel solar energy from a plant built in Jordan specifically for this purpose, activated by a UAE company (connected to the UAE government). (Munin, 2022). Recently, the king of Jordan offered the Israeli President another joint project: establishing a common food security storage (Kais, 2022). Both participate in the EastMed initiative aimed at the dissemination of natural gas found by Israel in the Mediterranean Sea to Europe.

- **Turkey**: a regional power that in recent years turned a cold shoulder towards Israel, is now making a political effort to enhance its economic and political cooperation with Israel, to enjoy the potential benefits of
this new reality. Recently, during the Israeli President's visit to Turkey, the Turkish President Erdogan explicitly expressed interest in joining the regional gas venture.

One symbolic illustration of the changing atmosphere in the region was the Negev Summit recently hosted by Israel, in which the Gulf countries, Egypt and Morocco participated, side by side with the US. This summit emphasized Iran-related issues and is not seen as very productive in effective terms. Critics also mention that Jordan and the Palestinian Authority did not attend the summit. However, its declarative and symbolic meaning in terms of regional atmosphere cannot be denied. (Kurtz, 2022).

Overall Effectiveness Assessment

On the one hand, the Abraham Accords improved Israel's legitimacy in the Arab world: Israel was both recognized by its partners in these agreements and by other Arab countries in the region, which actively (e.g., Jordan, Egypt, and Saudi Arabia which opened its skies to Israeli airplanes) or passively (e.g., Oman) support these agreements. On the other hand, the agreements encouraged Israel's willingness to enhance its link to the Mediterranean region, (Zaga, 2021) a policy which is well reflected by the recent regional collaborations addressed in this article, and others.

Israel's Trade diversification and trade diversion from the European Union

The EU is Israel's major trade partner. Trade between Israel and the EU encompasses roughly one-third of all of Israel's external trade. To avoid this great economic dependence, used by the EU as leverage for political dictation to Israel, in recent years Israel tries to diversify its trade partners (Munin, 2021). Before the Abraham Accords' conclusion, Israel focused its efforts on East Asia. The Abraham Accords opened new horizons. This may be another explanation for the rapid realization of their potential.

The "Honey Trap" Effect

In an article I published a short while after the conclusion of the Abraham Accords, I suggested that the benefits of the Abraham Accords may turn into a "honey trap" for Israel, leveraging the growing interdependence among the economies involved to affect Israel's political position towards the Israeli-Palestinian conflict (similarly to the European Union's approach) (Munin, 2020). While the total trade volume between Israel and its four partners to the

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12 The growing collaboration between Israel, Greece and Cyprus in the EastMed gas pipeline project and in other project may have served as another trigger to this policy change (Harrari, 2021). Turkey is also improving its relations with the Gulf countries and other Arab countries (Guzansky and Lindenstrauss, 2022).
Abraham Accords does not raise this concern yet, some of the specific agreements mentioned already create substantial inter-dependence in strategic industries. Thus, for example, the holding of 22% of a major Israeli gas reserve by an Abu Dhabi government company, the growing dependence of Israeli civil aviation services on the open sky policy of its new partners, which considerably shortens any travel to the East, and joint ventures in strategic fields such as a major port acquisition may be of future concern.

Conclusion

18 months after their conclusion the Abraham Accords may be regarded as a success and a regional groundbreaking move, both politically and economically. Furthermore, their successful application seems to trigger other regional partners to embark on board the projects at stake. Despite the strategic risks mentioned, the Russia-Ukraine war and the Iranian threat reinforce the importance of regional collaboration among the Mediterranean partners, which strengthens them against potential economic and political threats, through the synergy of their respective comparative advantages.

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