

# Economic Dividends of the Abraham Accords

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## ABSTRACT

The UAE and Israel had no direct relations before August 2020, as UAE had not recognized Israel as a state. However, the UAE was keen on building diplomatic relations with all countries in the recent past and is progressively becoming more liberal and tolerant. The UAE signed the historic Abraham Accord with Israel in September 2020. The Abraham Accord is an avenue of peace. It supports the efforts for prosperity and advancement as it paves the way for deepening economic, knowledge and cultural ties between the countries. There are opportunities to expand cooperation, engagement and knowledge sharing in various sectors such as agriculture, energy, technology, tourism, education, health care and services, trade and homeland security, climate issues, water, food security and smart mobility. Since September 2020, several transactions have been signed between Israeli and Emirati firms in different fields, valued at tens of millions of dollars. On the anniversary of the agreements, the volume of trade between Israel and the Emirates amounted to more than \$ 100 million per month. The Abraham Accord has paved the way, is gradually improving the relationships in the region, and will slowly but surely lead to better peace and economic prosperity of the region.

**Keywords:** Abraham Accord, Israel, Normalization agreement, United Arab Emirates.

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## I. INTRODUCTION

Until August 2020, the United Arab Emirates (UAE) had not recognized Israel as a state, and the two countries did not have any direct official diplomatic or economic relations. Israeli citizens, those suspected of being Israeli citizens, and even Israeli passport holders were denied entry into the UAE. Direct flights between Israel and the UAE were banned; hence, all flights had to stopover in a third neutral country if they wanted to land in the UAE. Israeli aircraft were banned from entering UAE airspace. The UAE also barred its citizens and aircraft from entering Israel, although Israel did not impose any restrictions. However, some Israeli companies indirectly did business in the UAE through third parties.

The UAE has been keen on building diplomatic relations with all countries and is progressively becoming more liberal and tolerant. The study published by Winter & Guzansky (2020) states that, for many years, particularly over the last decade, the UAE has striven to disseminate a religious-political doctrine that defines peace as an Islamic value and a fundamental element of national identity. Moreover, in 2022, the interfaith Abrahamic Family House complex is scheduled to open in Abu Dhabi and will house a mosque, a church, and a synagogue in the same complex. The Centre is designed to promote values shared by the three monotheistic religions and to promote mutual understanding and acceptance among all believers.

The Abraham Accords are a joint statement between the State of Israel, the UAE and the United States of America, reached on 13 August 2020 (Wikipedia, 2020). The UAE signed the Abraham Accord with Israel on 15 September 2020 to establish normal relations with Israel; this was the first such agreement between an Arab country and Israel,

setting in motion a potentially historical shift in Middle East politics after decades of division and conflict. Although the UAE and Israel had long-maintained de facto recognition in areas of business, including diamond trade, and high tech industries including artificial intelligence and defence, the accord unlocked the door to a far wider range of economic cooperation, including formal investments. The deal is a breakthrough that will help unfold benefits for both economies across multiple sectors and open up immense potential for economic cooperation and bilateral investments in logistics, aviation, tourism, agricultural technology, green energy, and food and water security.

The decision by the UAE to sign an agreement toward normalization with Israel was hailed by Bahrain, Egypt, Oman, and Mauritania (Winter & Guzansky, 2020). This is further evident in the study of Salma El Wardany (2020), where it is articulated that following the announcement of the Israel–UAE agreement, positive feedback was voiced in important Arab circles, and it was welcomed with expressions of public as well as official support in Bahrain, Egypt, and Oman. Thus, one may very well believe that many Arab countries prefer to normalize relations with Israel, which is clear from the positive reactions of a number of nations.

It can also be viewed as means of better peace and gradual ending of conflicts in the region. The study by Guzansky & Marshall, (2020) revealed that the accord also provides the Emiratis (and perhaps, implicitly, the Saudis and other Gulf states) with leverage against Israel. Israel now must think carefully before acting in ways that may be conflicting with the interests of Arab countries.

The Abraham Accord can be perceived as an avenue of peace and stability and would enhance prosperity and advancements of the region, especially as it paves the way for deepening economic, knowledge and cultural ties

between these countries. This study proposes concentrating on the economic dividends of the Abraham accord on the UAE and Israel.

## II. MATERIALS AND METHODS

The objective of this study was to find out the economic dividends of the Abraham Accord to the UAE and Israel. This study is solely based on secondary data collected from various statistical departments, governments, and press publications. The study covers a period of one year, from August 2020 to 2021. The study used the event analysis methodology to study the economic gains of the Abraham Accord on UAE and Israel.

## III. RESULTS AND DISCUSSIONS

Both the UAE and Israel have a significant degree of symmetry in the economic size and structure. The population's size is nearly the same, with approximately 9.8 million in the UAE and 9.1 million in Israel. The GDP of both countries are closely similar worth \$421 billion in the UAE and \$395 billion in Israel. Similarly, small and medium enterprises (SMEs) make up a major share of the economies of both countries, with roughly 450,000 SMEs in the UAE and 550,000 in Israel.

Among its Arab counterparts, nay globally, the UAE has been a beacon of tolerance and peace. This historic Abraham Accord peace treaty makes the UAE the first Gulf Arab state to extend its hand for Arab-Israel cooperation since 1994. During the last year, since signing the Abraham Accord, several transactions worth millions of dollars have been signed between Israeli and Emirati companies in different fields, including artificial intelligence (AI), cyber security, water security, renewable energy, and health. The events that took place during the one year after signing the Abraham Accord is explored to find out the economic dividends:

On 16 August 2020, the UAE established telephone links to Israel by unblocking direct dialling to Israel's +972 country code for the first time in history.

On 18 August 2020, the director of the Mossad Yossi Cohen arrived in the UAE to discuss with the National Security Advisor Tahnoun bin Zayed Al Nahyan on issues related to security cooperation, regional developments and other issues that concerned both countries.

On 29 August 2020, the UAE formally ended up its boycott of Israel.

On 31 August 2020, direct commercial flights started operating between the UAE and Israel. An El Al Boeing 737-800 (4X-EHD) made a three-hour trip from Tel Aviv to Abu Dhabi over Saudi Arabian airspace to be the first commercial flight between the two countries and the first Israeli flight to be approved to fly over Saudi Arabian airspace. Later, Saudi Arabia and Bahrain permanently opened their airspace for flights between Israel and the UAE.

On 16 September 2020, DP World signed a number of agreements with Israeli banks to facilitate trade and logistics services between the UAE and Israel, which will prop up

trade flows in the region. DP World also signed several cooperation agreements on cargo, port and free zone development with Israeli companies.

In September 2020, the Bank Hapoalim signed a collaborative agreement with First Abu Dhabi Bank (FAB) and Emirates NBD, two of the largest banks in the UAE, which allow Israeli clients to transact directly in the UAE. Bank Hapoalim founded almost 100 years ago, has one of Israel's largest retail branch networks and is a household brand for consumer and corporate lending in Israel.

On 27 September 2020, Israeli Dia Saba joined Emirati club Al-Nasr, becoming the first Israeli to play in the UAE and the Gulf States.

On 12 October 2020, the first cargo ship from the UAE entered Israel at the Port of Haifa. After that, ship MCS Paris is scheduled to arrive at the port every week.

On 20 October 2020, the UAE and Israel announced a mutual visa exemption agreement, permitting visa-free travel for Israeli and Emirati citizens to each other's countries.

On 4 November 2020, Flydubai, one of the Emirati carriers, announced that it would start direct flights between Tel Aviv and Dubai from 26 November 2020 that would mark the first commercial flight route between Dubai and Tel Aviv. On 26 November 2020, the first scheduled commercial flight operated by flydubai from Dubai International (DXB) landed at Tel Aviv Ben Gurion International Airport (TLV).

On 21 November 2020, Abu Dhabi Global Market (ADGM) and Bank Hapoalim signed a memorandum of understanding (MOU) to jointly promote and develop financial technology (FinTech) innovation, ecosystems, and market opportunities, which will support the digital transformation of the financial services and connect both the UAE and Israel economies.

On 21 November 2020, Dubai International Financial Centre (DIFC) signed an agreement with Bank Hapoalim to cooperate across financial service activities. Thus, Bank Hapoalim became part of DIFC's global network of banks, financial centres, regulators and companies that are disrupting the financial and technology sectors and embracing the highest legal, regulatory and operating standards. Both entities will benefit from a wide range of mutually beneficial opportunities.

On 24 January 2021, the official Israeli embassy in the UAE was opened with Eitan Na'eh serving as an acting ambassador/Chargé d'affaires. On 29 June 2021, Israel's temporary embassy in Abu Dhabi and the consulate in Dubai was formally inaugurated, with Amir Hayek serving as the first permanent ambassador to the UAE.

In March 2021, Medcare women and children hospital, based in the UAE and part of the Aster DM Healthcare Group, entered into an agreement with Sheba Medical Center in Tel Aviv, Israel, to facilitate knowledge sharing across various specialities.

On 14 July 2021, the embassy of the UAE was opened in Tel Aviv Stock Exchange building, with Mohamed Mahmoud Al Khaja serving as ambassador.

On 14 August 2021, Mia created history by being the first Israeli baby born in the UAE. Baby Mia was born on 14 August at 2 pm through C-section at the Mediclinic City

hospital, Dubai. Mia's father, Ilan Sztulman Starosta Lambert, is the head of the mission of the newly opened consulate of Israel in Dubai, and her mother, Jaqueline Starosta Lambert, is the economic advisor for the consulate. Mia's Israeli passport will be issued in Dubai, marking a major milestone in the history of the UAE and Israel.

On 25 August 2021, Israel Aerospace Industries (IAI) entered into a deal with Etihad Engineering, a part of Etihad Aviation Group of the UAE, to establish a facility in Abu Dhabi that will convert Boeing 777-300ER passenger planes into cargo aircraft.

The Abraham Accords will pave the way and significantly accelerate the expansion of trade and investments between the UAE and Israel, extensively benefiting the business communities in the UAE and Israel. The benefits, of course, will not be limited to the stakeholders in these two countries but definitely will extend to all stakeholders in the Middle East.

In this context, an attempt is made to expose the expected dividends from the Abraham accord. The opening up of the air space, where Saudi Arabia and Bahrain permit Israeli flights to cross its airspace, will considerably reduce operational costs and flight time for EL AL the Israel Airlines. Thus, Israel airlines will become more competitive on routes to destinations in the Middle East and South Asia. The airlines will share these benefits with the customers by offering competitive fares.

Dubai International Airport (DXB) is the world's busiest airport by international passenger traffic. (DXB) maintained its position as the world's busiest hub for international passengers for the seventh consecutive year in 2020. The DXB airport continues to be one of the world's most prominent travel and logistics hubs in spite of the challenges faced by the global travel and aviation sectors due to the Covid-19 pandemic. The flights by Israel Airlines will increase DXB's international connectivity by linking two of the region's major trade and tourism destinations, which would help DXB to maintain the status of the world's busiest airport easily and even achieve higher positions in the global travel and aviation landscape. Moreover, this would give travellers more choices and conveniences and increase trade and logistics opportunities between the two countries.

Signing several progressive cooperation agreements on cargo, port, and free zone development between the DP World and Israel will empower DP World to facilitate trade between the two countries' private businesses. Moreover, these agreements will also open an opportunity for Drydocks World-Dubai to develop Israeli dry docks and handle refurbishment projects. Furthermore, Israel has also vented its interest in leveraging Jebel Ali Port as a re-export hub for Israeli products to easily access neighbouring fast-growing markets such as India, Pakistan, Bangladesh, and Sri Lanka, which have a combined population of more than 2 billion.

After successfully establishing air and sea links that permit goods to transit between the UAE and Israel within a few hours by air and in 16 days by shipping routes, they are exploring the potential of trailers and lorries carrying goods from the UAE to reaching Israel in three days and vice versa in the near future. Thus, the UAE on the eastern part of Arabia and Israel on the western part of Asia – on the

Mediterranean – can create a trade corridor through land, sea and air to the rest of the world.

The agreement between Abu Dhabi Global Market, Dubai International Financial Centre, and Bank Hapoalim will facilitate them to promote and develop financial technology innovations jointly and market opportunities that will support the digital transformation of the financial services landscape and boost connectivity of the economies in the UAE and Israel. These agreements will also help Financial Technology companies and entrepreneurs to scale their presence and deployment across the UAE and Israeli markets.

Demand for cargo plane conversions has been on the rise with the increase in e-commerce and the decline in value of used planes during the COVID-19 pandemic. Israel Aerospace Industries has vast expertise and research capabilities in this field and operates many cargo conversion sites. Etihad Engineering is one of the largest commercial aircraft maintenance, repair, and overhaul services providers in the Middle East. Thus, the facility to be jointly established in Abu Dhabi will be the largest and most advanced in the Middle East that will convert Boeing 777-300ER passenger planes into cargo aircraft.

Biotech, artificial intelligence, and advanced machine learning technologies have been flourishing in Israel. Those Israeli companies are active on the global stage. Israel is well known as the startup nation for advanced technologies. Israel is home to more than 6,000 high-tech companies and startups, has one of the highest concentrations of hi-tech companies globally and leads the world in the number of scientists and technicians in the workforce. There are countless opportunities for joint ventures and collaborations, which definitely will open the way for UAE companies to capitalize on cutting-edge Israeli technology to gain an advantage in the market. Moreover, the collaboration in advanced technologies between Israel and the UAE will encourage Israeli tech companies to expand into the UAE, given the Gulf country's infrastructure and demographic mix.

The agreements in the medical field, especially with operators like Sheba, which is one of the top 10 best hospitals globally, will result in knowledge exchange across various specialities. In the near future, one can expect more of these kinds of agreements, which may also enable collaboration among doctors at medical institutions, which in due course will bring the best to the UAE and may result in further enhancement in the quality of care for patients, and facilities at the hospitals. The adoption of the global best practices may lead to the encouragement of advanced medical training and upskilling of medical practitioners at all levels of operations. We may start seeing people from the UAE availing expertise treatments in high-end medical facilities in Israel and vice versa.

The Visa exemption agreement between Israel and the UAE allows their citizens to travel visa-free to each other's countries. It is a significant shift from the previous state of affairs where the UAE did not allow Israeli citizens entry into the UAE, including Israeli passport holders, except for transit. This visa exemption arrangement will boost tourism and trade. Israeli tourists have already started coming to the UAE, with many flights now operating between Israel and

the UAE. The opening of embassies will make visa processing and other procedures related to travel and trade more smooth and fast. It would boost tourism and trade between these countries, even to the region and beyond.

Both countries have a desert landscape. Israel is a world leader in agriculture, using less water despite high heat. Israel has much expertise in water management and dealing with water shortages. Israel recycles and reuses 80% of the sewage water for irrigation purposes. Israel has developed innovative technologies and methods in agriculture and water management through solid research. Meanwhile, the UAE is on its journey of enhancing agriculture activities as part of its food security strategy. Israel's expertise in growing food in the desert and desalination technologies can help dramatically in promoting desert agricultural projects in the UAE. UAE companies can even adopt proven technology rather than reinvent the wheel. The chances are very high, where both countries can join hands, co-innovate and make their new and innovative products and services available to the rest of the world.

Similarly, Israel can learn a lot from the UAE's expertise in infrastructure and planning and their ability to execute complex projects. The UAE has built smart communities, and while Israel has the technology related to smart cities, Israel have not implemented that yet. Therefore, the UAE can help Israel address that gap in the market.

#### IV. CONCLUSION

The signing of the Abraham Accord is strategic, as the region is plagued by widespread disturbance and civil war, changing geopolitical alliances and the competition between rival coalitions striving to expand their sphere of influence and determine outcomes in weak and fractured states of the region. It will gradually lead to better and more harmonious relations with the neighbouring nations and open up opportunities for new businesses and collaborations among corporates in the UAE, Israel, and the region.

It is relatively easy to start a business in both the UAE and Israel, and both the courtiers are ranked high by the Ease of Doing Business index ranking, UAE at rank 16 and Israel at rank 35. The company set-up processes are efficient and easy, especially in the free zones. Hence, there is a high probability of many new businesses being set up in both countries by taking advantage of the changing environment. There is a huge potential to do business together. There are opportunities to expand cooperation, engagement and knowledge sharing in a range of different sectors such as agriculture, energy, technology, tourism, education, health care and services, trade and homeland security, climate issues, water, food security and smart mobility. Moreover, the people of both countries have the same mentality, as they are practical and business oriented.

The UAE and Israel are broadly viewed as the most innovative economies in the Middle East. The cooperation between the two major economic powerhouses in the Middle East can boost infrastructure, technology, fintech, agritech, healthtech, smart cities, artificial intelligence, and environmental sustainability. On the anniversary of the agreements, the volume of trade between Israel and the

Emirates (exports and imports of goods and services) amounted to more than \$ 100 million per month, with the UAE being among Israel's 20 largest trading partners, according to figures released by Israel's Chamber of Commerce (FICC). Let this be the beginning of a future where all coexist harmoniously and channel efforts to a better world.

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