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Economic Effects of Regional Economic Integration: The Case of the Abraham Accords

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Abstract

In a world full of developments and risks, states have sought to consolidate their macroeconomic policy under the banner of a regional economic bloc. They can benefit by strengthening their position in the field of economic integration, either through preferential trade agreements or through foreign direct investment or labor force. This study examines the Abraham Accords as a model of regional economic integration and reviews the background to the signing of the agreements and the political and economic factors that led to the signing. The study then presents the realities of the application and the impact of the agreements on the economy of the integrated states after two years of signing, revealing the challenges and opportunities.

Keywords

Regional Economic Integration, Abraham Accords, Israel, UAE, Bahrain, Morocco

1. Introduction

After World War II, economic integration has become an integral part of the global economy and its pace has been growing ever since (Grieco, 2000). Many international economies are moving toward integration; increased interdependence or the interconnection of economies is the current trend of regional economic blocs and a prominent phenomenon in the economic literature. The world has recently witnessed this phenomenon in the form of widespread activity in the formation of regional economic blocs, whether in a bilateral, sub-regional, or regional framework.

The importance of regional economic integration is a very pertinent issue in the Middle East. There have been several attempts to achieve economic integration in the Middle East and North Africa economic regions (Karasapan, 2019), starting with the establishment of the Arab League for coordinated cooperation between Arab countries in 1945. Later, the Arab Maghreb Union, comprising five North African countries, was established in 1989 but was ineffective largely due to tensions in the relations between Algeria and Morocco. In 1997, the Arab League introduced the Greater Arab Free Trade Area, and in 2001, it was agreed to eliminate most tariffs by 2005. An agreement with the European Union and the Agadir Agreement to establish a free trade area (FTA) between Egypt, Jordan, Morocco, and Tunisia by 2007 turned out to be a disappointment as well. The Gulf Cooperation Council—the most successful project with a custom unit and a common electricity grid—has failed to harmonize the tax system and establish a single currency. In addition, individual Arab countries have signed several bilateral agreements with the European Union, the United States, Turkey, and other Arab countries.

According to ESCWA (2015) various factors weigh on intraregional trade in the Arab region. First, political tensions and conflicts in the region are hindering efforts to integrate by disrupting progress in intraregional trade and by preventing effective dialogue between countries that could be regional partners. In addition, a lack of political will has also prevented the adoption of integration initiatives and policies that support economic cooperation. Second, a major implication is the differences in national laws and regulations that drive trade and investment costs higher. That is, compliance with national laws and regulations that are not harmonized across countries in the region raises the costs of cross-border investors and traders. Third, the limited size of the markets and potential trade volumes are involved. And the fourth is Transport and trade costs. The evidence on high estimated trade costs is also corroborated by the poor logistics performance of most countries in the region. Therefore, the following question arises: Will the Abraham Accords succeed where previous agreements have failed and establish a successful regional economic integration?

On August 2020, the normalization of relations between Israel and the UAE was announced, culminating a year-long process with the formal agreement signed on September 15, 2020. On the same day, a Peace Declaration was signed with Bahrain, followed by a joint declaration that established economic and diplomatic relations. On December 22, 2020, Israel and Morocco also signed a declaration of diplomatic relations, and finally, on January 6, 2021, the Declaration for Normalization of Relations with Sudan was signed in Khartoum. Together, these agreements are called the Abraham Accords (Guzansky & Feuer, 2021).

The UAE had a clear interest in strengthening its ties with the United States, scoring points with the administration and improving its image and status as an influential regional actor. On a practical level, the UAE wanted access to advanced American weapon systems. At home, the agreement with Israel was presented as a diplomatic victory, which was intended to benefit the Palestinians—a necessary price to pay to stop Israel's intention to impose its sovereignty on the

West Bank (based on the Trump framework).

Bahrain's interest was first and foremost to fortify its relations with the United States, bolster its security against the Iranian threat, and strengthen its economy by forming ties with Israel. It is doubtful whether the agreement between Israel and Bahrain would have come about without the approval of Saudi Arabia, which has a decisive influence on the foreign relations of Bahrain and the UAE. In the case of Morocco, normalization with Israel—what Rabat termed "a resumption of…full diplomatic, peaceful, and friendly relations"—was done in exchange for Washington's dramatic decision to formally recognize Moroccan sovereignty in Western Sahara (Maital & Barzani, 2021). For Sudan, normalization with Israel was the price paid for Washington's decision to remove the country from the State Sponsors of Terrorism list after 27 years and provide an accompanying aid package of $1 billion from the World Bank.

These agreements were far from surprising as they were preceded by economic and political relations. Although incomplete, a partnership between Israel and Arab countries, which was spurred by the Arab revolutions of 2011, existed long before 2020 and shared concerns about Iran and the Muslim Brotherhood. Accordingly, the Abraham Accords are expected to strongly develop these relationships because of their important economic and geopolitical implications. The agreements will encourage the consolidation of economic integration in the region and are expected to attract investors from outside the Middle East by providing new and better opportunities, thereby promoting economic growth in the region.

In this regard, the Middle East has long lagged behind almost all regions in the world. For example, in Europe, approximately 66% of trade operations take place between European countries, whereas in the Middle East, it is less than 13%. Since the signing of the agreements, many agreements of an economic nature have been formed between the signatories, particularly in the high-tech and energy sector, and there has been a marked increase in the volume of trade, although it is still limited (Singh, 2022).

This study assumes that regional economics is very important for the Middle East, especially for enhancing and accelerating the region's economic growth and development. Thus, it identifies and examines the benefits, challenges, and opportunities of regional economic integration. Finally, the study tries to answer the following question: "What are the economic effects of the Abraham Accords as a regional economic integration on the signatory countries?". This study aims to highlight the importance of the regional economic integration phenomenon in light of the current changes in the international community and the globalization era. Then, it explores the experience of the Abraham Accords and reviews their most important economic effects on the member countries.

To answer the research question and test the validity of the assumptions, the descriptive approach is used to describe the phenomenon of clusters, reasons, and motives for their emergence in the theoretical section. In the practical section, an analytical approach based on data collection is used to discuss the effects of the Abraham Accords on the economy of the signatory countries and the region in general.

This study is divided into three sections. Section I presents the theoretical framework for regional economic integration. In Section II, we touch on the Abraham Accords and their impact on the economic indicators of the member countries. The study concludes with Section III, presenting the findings and areas for further research while providing recommendations for areas for more accurate, deep, and useful studies.

2. Literature Review on Regional Economic Integration

2.1. Definition of Terms

The term "integration" means to bring parts of an object together to form a complete whole, but in economic terms, it refers to the coordination of economic activities within a nation to develop the nation (Mutharika, 1972). Mutharika gave the term a wider meaning, indicating that it implies the process of integrating various economies in an area or region into a single unit for regional economic development. Economic integration occurs when two or more nations carry out policies that result in greater mutual economic interdependence. It can range from free trade to the free movement of workers, customs unions, etc. If such interdependence originates in a single region or regional economic integration activities and/or processes, the activities or processes are termed "regional economic integration" (Madyo, 2008).

Regional integration or "regionalism" is "any policy designed to reduce trade barriers between a subset of countries regardless of whether those countries are actually contiguous, or even close to each other" (Winters, 1996). Integration aims at abolishing discrimination between local and foreign goods, services, and factors (Salvatore, 1997). According to Carbaugh (2004), economic integration is the process of eliminating restrictions on international trade, payments, and factor mobility. Thus, economic integration unites two or more national economies in regional trading agreements. Biswaro (2003) suggested that regional economic integration involves the process of trade, economic, and financial convergence of integrated states.

2.2. Theoretical Framework on Effects of Regional Economic Integration

Entry into a regional integration scheme can have both static effects (because of resource allocation in response to changes in relative prices) and dynamic effects (because of changes in efficiency, ability to exploit economies of scale, and the level of investment and growth). A substantial part of the theoretical literature deals with the static effects of trade integration, specifically in the context of customs unions. However, the dynamic effects are more significant as the changes they constitute are cumulative rather than simply once and for all adjustments (Hine, 1994).

2.2.1. Static Effects

The liberal economic theoretical framework relies on the assumption that "productive efficiency" is enhanced when states undertake economic production in areas where they have a relative advantage over other states, thus rationalizing costs and prices (Negasi, 2009). The static impact refers to changes that occur in the equilibrium market price and quantity before and after the creation of an economic bloc. This can be a trade creation or a trade diversion. For a given product, trade creation appears when high-cost production is substituted by low-cost production because of regional integration, whereas economic diversion occurs when low-cost production is substituted by high-cost production. Besides the trade creation and trade diversion effects, the static effects of regional integration can involve other impacts (Negasi, 2009).

Viner (1950) considered only the trade creation and trade diversion effects, which were considered by Cline (1978) as traditional static gains. In addition to these traditional static effects, Cline provided the following additional non-traditional static effects of regional trade integration: labor opportunity effect, economies of scale effect, and foreign exchange saving effect. Other studies have also discovered more static gains from regional trade integration, depending on the models used. Following the classifications of Baldwin & Venables (1995) and Lloyd & Maclaren (2004), models attributing perfect competition and constant returns to scale identify trade volume, trade cost, and terms of trade as beneficial effects of regional trade integration.

2.2.2. Dynamic Effects

As mentioned above, there are various potential dynamic effects. These may be felt more gradually, although longer lasting, and in some cases, even continuously (Negasi, 2009). First, there is the competition effect, which is brought about by freeing imports from partner countries. Second, there is the investment effect, which appears when there are new foreign and domestic investments that did not occur before the regional trade integration. Third, the larger market provides greater possibilities for the exploitation of economies of scale. Fourth, capital formation is also affected through various channels, including a reduction in barriers to diffusion, technological transfer, externalities from export growth, and rising marginal product of capital. Fifth, as an active group, union members might be more able to influence the terms of trade they face. Lastly, there is the structural transformation effect, i.e., a shift from traditional primary products export to new industrial products export. Unlike the static effect of regional trade integration, the dynamic effects are presumed to continue generating annual benefits even after the withdrawal of a country from the union.

3. The Economic Effects of the Abraham Accords

The Abraham Accords reflect and expand the increasing gradual progress in relations between Israel and Arab states over the past two decades. A number of developments at the micro, macro and short- and long-term levels have contributed to the birth of this integration process. These developments include security concerns and common geopolitical interests, as well as a common understanding that regional peace and mutual trade are key factors and keys to economic growth.

One of the main factors that have contributed to the development of relations between these states is that they share a set of converged strategic objectives. From an Israeli perspective, the Sunni Arab Gulf states enjoy huge financial resources and are geographically located near their arch-enemy, the Shiite Islamic Republic of Iran, which Israel considers the main threat to its existence (Schatz, 2020). The UAE, Bahrain, and Israel have shown their determination to stop iran's expansion of influence, and normalizing relations with Israel—which includes military power and political will to limit Iran's global and regional influence—has become acceptable amid these real-life geopolitical data on the ground (Schatz, 2020).

Another factor is the economic implications of COVID-19. The overlapping crises associated with the COVID-19 pandemic were reflected in the fall in crude oil prices, putting severe economic pressure on Gulf Arab governments and the private sector in the Middle East and North Africa (Hashmi, 2020). These severe and extraordinary shocks to the Gulf economies and the need to support new flows for trade to flourish in the post-COVID era have kept an open window of opportunity for a breakthrough in the Israeli–UAE–Bahraini relations while encouraging the Gulf Arab states to reach out to Israel for information and assistance in the fight against the virus (Schatz, 2020). The Abraham Accords include the possibility of promoting regional trade and investment relations in a range of business sectors, from civil aviation, to finance, health, and tourism. In this study, we review some of the economic impacts of the agreements, noting that additional impacts will be measured in the future and not two years after signing.

3.1. GDP

According to World Bank data (2022), as presented in **Table 1**, 2019-2020 saw a decline in the GDP of all the parties to the agreement, except Israel, which maintained a rise in its GDP despite the COVID-19 pandemic. Experts attribute this phenomenon to the recovery of the Israeli high-tech sector during this period.

Table 1 reveals that there is an expected rise in GDP in 2021 and 2022 due to

Table 1. GDP of the Abraham Accords' parties from 2016 to 2022 (in USD Billion).

	2016	2017	2018	2019	2020	2021 (expected)	2022 (expected)
UAE	357	386	422	417	359	400	425
Israel	319	353	370	396	402	400	410
Morocco	103	110	118	120	113	117	122
Bahrain	32	35	38	39	35	38	39
Sudan	53	45	35	32	26	21	15

Source: World Bank website.

the decline in the number of COVID-19 cases, although the rise is gradual due to the economic effects of the Russian-Ukrainian war. Nevertheless, it cannot be concluded that there is a causal relationship between this rise and the Abraham Accords. Instead, the data reinforce the hypothesis that the signing of the Abraham Accords was also for economic reasons, as the parties to the agreement suffered from economic crises, which led them to seek new strong partnerships to revive their economies.

3.2. Intra-Regional Trade of the Abraham Accords' Parties from 2020 To 2022

The RAND Corporation study (Egel, Efron, & Robinson, 2021) offers a very optimistic vision—if the agreements grow to include 10 Muslim-majority countries (including Saudi Arabia), with deeper economic integration, the four Arab signatories can get up to 150,000 new jobs, expand to four million new jobs, and receive trillion dollars in new economic activity over a decade. Table 2 presents the benefits of bilateral free trade to the five participating economies over a 10-year period, according to the RAND study.

According to Zaja (2021), the Abraham Accords have contributed greatly to the Israeli economy and, to some extent, to the economy of the UAE. In less than a year, the UAE has become one of the 20 largest countries to partner with Israel economically. One of its biggest deals is Delek Drillin's sale of its stock shares in Tamar Complex to Mubadala Group of the UAE for 1.1 billion $ (Lieberman & Cohen, 2021). Zaja (2021) believes that although the economic aspect of the agreements is of great interest, they will not change the face of the Israeli economy. In her opinion, the most important change is to substitute the prevailing idea that Gulf states are an export market with the opposite fact that most of the trade movements have been toward Israel. She added that the agreements were expected to lead to trade in the military industry, in which Israel is distinguished but is not familiar with any deal in this area.

In 2020, the value of goods exports from Israel to the UAE was $74 million. The value of goods imports was $115 million, whereas the trade deficit in goods was $41 million. For Morocco, before the signing of the Abraham Accords

Table 2. Potential benefits of Free Trade Agreements to current signatories of the Accords (in USD Billion).

Signatory	New Economic Activity	Change in GDP	Number of jobs Created	Change in Unemployment Rate
Bahrian	1.6	0.8%	1700	0.8% >> 0.6%
Israel	46	2.3%	19,100	3.8% >> 3.4%
Morocco	4.5	0.7%	16,500	9% >> 8.9%
Sudan	0.7	0.8%	16,400	16.6% >> 16.5%
UAE	17	0.8%	11,100	2.4% >> 2.2%

Source: RAND, 2021.

between the two countries, the volume of trade between them did not stop growing secretly, despite the absence of an official relationship between the two sides in recent years. Now that the trade between the two sides has gone public, its volume has increased; According to the Israeli central bureau of statistics monthly publication (April 2022), it has grown to $41.8 million in 2021 not to mention tax and customs facilities, which may pave the way toward a free trade agreement in the future. According to data from the January 2022 Israeli Central Bureau of Statistics, from 2016 to 2020, the distribution of the value of goods exports by economic sector indicates that the chemical manufacturing industry was the main export industry from Israel to Morocco. **Table 3** presents the foreign trade data in goods between Israel and the member countries (except Sudan, where information is not available due to the small volume of trade) as published in the Israeli Central Statistics Service's monthly publication (April 2022).

The data indicate that the volume of Israeli imports from the states parties to the agreement exceeds that of exports. In addition, there was "a jump" in trade between Israel and the UAE, whereas the volume of trade with other countries of the agreement remained modest.

Regarding diamond trade, Dubai and Israel diamond trading exchanges have concluded agreements to build close relationships between them. Although there are no diamond mines in either country, they are ranked first in the world in diamond sales. Dubai's diamond trade reached $23 billion in 2019, whereas that of Israel was $12 billion, which is 23% of its total exports (Macura, 2020). For Israel, this deal provides stronger ties with India and links it to the Arab world, as most Arab countries have no formal relations with Israel. For the UAE, this agreement has the potential to strengthen Dubai's position as a prominent hub in the global trade of precious goods (Cornwell, 2020).

3.3. "Joint Warm Peace Strategy" Agreement

Balassa (1961) identified and distinguished between five degrees or stages of economic integration—FTA (Stage 1), customs' union (Stage 2), common market (Stage 3), economic union (Stage 4), and complete regional integration (Stage 5). Most regional groupings are using this model in their quest for regional economic integration, although not all have been successful.

Unlike Balassa (1961), other economists have suggested that the first step in

Table 3. Trade countries' imports and exports in goods (million $) from 2020 to 2022

	Imports			Exports		
	2022 I-IV	**2021**	**2020**	**2022 I-IV**	**2021**	**2020**
UAE	485.6	836.9	115.8	186.8	384.5	74
Bahrain	2.7	2.8	0.0	0.3	3.7	0
Morocco	6.9	11.0	10.4	2.8	30.8	12.4

Source: Israeli Central Statistics Service's monthly publication (April 2022).

economic integration is a preferential trading agreement (PTA), although such an agreement is limited in its scope. Thus, a PTA is referred to as the lowest level or form of regional economic integration. Hodgson & Herander (1983) described a PTA as an agreement in which members apply lower tariffs to imports produced by other members than to imports produced by non-members. This means that the participants in a PTA reduce restrictions on trade between themselves while maintaining a higher level of restrictions on goods imported from nations outside the agreement. In this study, we only address two stages of economic integration—FTA and PTA—because the relationships resulting from the agreements are still in their infancy and have not yet reached the advanced stages of economic integration.

If we look at the Abraham Accords signed at the beginning of the normalization of relations between the countries, we find that they are as brief as possible, considering the statement of intent and not agreements for regional economic integration, except for the UAE's agreement with Israel, which included areas of future cooperation, especially economic ones. However, after the signing, the Abraham Accords were followed by other expanded agreements and understandings, particularly those dealing with the economic aspect and cooperation in the fields of research and development and advanced technology. Economic relations between the signatories, particularly between Israel and the UAE, have developed, which was succeeded shortly by a free trade agreement with wide tariff cuts. In addition, Bahrain and Israel have signed an economic cooperation agreement that includes customs cuts.

For Bahrain, on March 28, 2022, on the sidelines of the Negev summit, Israel and Bahrain signed a framework agreement for cooperation, called the "Joint Warm Peace Strategy"—a 10-year plan aimed at expanding relations in many areas to meet common challenges, notably the "Iranian threat". According to the Bahrain Foreign Ministry Statement (2022), the agreement "included the principles and foundations of strengthening joint cooperation through specific programs to increase the volume of trade and enhance communication between the peoples of the two countries, focusing on youth, highlighting the common relationship as a model for coexistence and tolerance between religions and cultures in the region and around the world, and supporting efforts within the Middle East peace process to promote security and stability in the region. The agreement deals with areas such as innovation; trade; investment; food and water security; climate change; renewable energy; health, educational, and academic cooperation; digital security; and tourism.

3.4. The UAE-Israel Free Trade Agreement

An FTA is considered suppression of discrimination in the field of commodity movements among member countries. In an FTA, the countries often agree to suppress or gradually eliminate all trade restrictions. As Niemann (2000) pointed out, the construction of free trade occurs when the neo-liberal orthodoxy aims to eliminate barriers to trade and capital flows around the world. This means that to participate in an FTA, member countries should be well prepared.

Schiff and Winters (2003) pointed out that interactions between member states may reduce external tariffs for three reasons. First, if tariffs on members are constrained to zero, the optimal level on closely competitive goods from other countries will be relatively low to reduce trade diversion. Second, if there is trade deflection (i.e., the redirection of imports from other countries through the FTA member with the lowest external tariff), high tariff countries will lose tariff revenues. If they reduce their tariffs to just below the level of their partners, they can recapture the revenue without affecting internal prices or resource allocations. Such moves would eventually lower external tariffs. Third, if duties on inputs used to produce exports to other member countries cannot be rebated, high import tariffs render exporters of final goods uncompetitive.

Within the scope of economic integration between the two countries, the UAE–Israel Free Trade Agreement signed on April 1, 2022 to strengthen bilateral trade relations was the first to be signed by an Arab country with Israel. The agreement will lead to mutual tariff reductions on most imported and exported products, as well as improve and ease trade. On the export side, the agreement is expected to give Israeli companies a competitive advantage and facilitate the activity of businessmen in the Emirati market, thereby strengthening Israeli exports and increasing economic growth.

On the import side, the agreement will help reduce the cost of living by lowering import costs to Israel. According to estimates by the Israeli Foreign Trade Administration (2022), the agreement is expected to increase the volume of trade between the parties by hundreds of millions of dollars in the first years after signing.

According to publications of the Israeli Ministry of Economy (2022), in exports, over 96% of customs items traded between the countries and exported to the UAE will receive customs benefits. After the agreement, 82% of customs items were immediately reduced to zero (6458 customs rows) and another 14% will be gradually decreased to 0 within 3 (283 customs lines) or 5 years (824 customs rows). An additional 2% of the customs items (152 customs lines) received a customs rate benefit. Among other things, tariffs on chemicals, fertilizers, cosmetics, plastic products, ceramic products, jewelry and diamonds, electronic machinery and components, and medical equipment, as well as vegetables and fruits, juices, seeds, and meat and fish products, have been reduced.

Regarding imports, over 96% of Israel's customs items (8602) received customs benefits; the customs rates of 72% decreased, with immediate exemption to zero (6453 customs lines), and another 21% will be gradually decreased to zero within 3 (514 customs lines) or 5 years (1345 customs lines). Discounts on customs rates and quotas were given for another 3% of the items (290 customs rows). Some of the products that have received significant benefits in imports from the UAE to Israel are pharmaceuticals, plastic and rubber products, ceramics, machinery and electronic components, conductive cables, jewelry, and vehicles, as well as meat and meat products.

In addition, the promotion of trade in services between the countries will be executed by ensuring regulatory certainty in areas such as e-commerce, professional and business services, distribution services (wholesale and retail), and computing. Regarding the protection of intellectual property rights, patents, and copyrights, the parties have reached essential agreements for growth in various sectors, such as agriculture and high-tech. In addition, the parties agreed to increase cooperation in this field, including the enforcement of rights.

The parties mutually granted suppliers and companies access to their government procurement markets and opened the possibility of participating in government procurement tenders published by government ministries in both countries. In some tenders, suppliers from both countries will be able to participate in government procurement tenders on equal terms with local suppliers. Additionally, a new field was included in modern free trade zone agreements. The parties agreed to promote cooperation, which includes identifying ways to help small and medium-sized businesses and taking advantage of the commercial opportunities provided by the agreement. As part of the agreement, a joint committee is to be established, through which the parties will hold an ongoing dialog on economic issues and provide a platform for discussing trade barriers and requests from various industries.

As mentioned above, PTAs are the first steps in building economic integration. The agreement has relied on customs facilities to increase the volume of trade between the two countries and has taken into account the legal amendments that the two countries have to follow to ensure proper implementation, whether through property rights or access to government tenders. There is no doubt that this agreement holds opportunities, but it is too early to talk about its economic consequences for the two countries and the region.

3.5. Inflows of Foreign Investment

Regional economic integration affects the flow of foreign investments because companies prefer to invest within integrated countries, and foreign direct investments look for higher-profit markets and lower risks. The Abraham Accords and the subsequent agreements include clauses to deepen and expand investment relations, giving high priority to concluding agreements in the field of finance and investment, as well as recognizing the key role of these agreements in the economic development of the parties and the Middle East. There were also understandings about the commitment to protect investors and consumers, market safety and financial stability, and maintaining all applicable regulatory standards.

In Table 4, we present the foreign direct investment and net inflows in the parties to the Abraham Accords based on the World Bank data from 2016 to 2020.

Table 4. Foreign direct investment and net inflows (BOP, current in USD million) of the Abraham Accords' parties from 2016 to 2020.

	2016	2017	2018	2019	2020
UAE	9605	10,354	10,385	17,875	19,884
Israel	11,988	16,893	21,515	17,363	24,283
Morocco	2153	2680	3544	1721	1763
Bahrain	243	519	111	1501	1007
Sudan	1064	1065	1136	825	717

Source: World Bank website.

The table reveals an increase in foreign investment in Israel and the UAE throughout 2019 and 2020, but we cannot attribute this to the Abraham Accords. Economic integration has also resulted in mutual investments between member states, particularly between the UAE and Israel, with the UAE announcing in March 2022 the creation of a $10 billion investment fund in Israel to invest in sectors it described as strategic, including energy, manufacturing, water and space, and healthcare and agricultural technology (UAE Ministry of Foreign Affairs, 2022).

It has been two years since the agreement was implemented; although many Israeli startups expected unexpected gains for investments in the UAE, a reverse trend has flourished. Jerusalem-based firm Our Crowd—an enterprising investment company that raises capital from small investors and institutions—recently became the first Israeli venture investment firm licensed to operate in the UAE (Maital & Barzani, 2021).

The navigation industry has also moved quickly to take advantage of the Abraham Accords, with commercial shipping companies from Dubai establishing formal relations with their counterparts in Israel. DP World, one of the world's largest port operators, has signed an agreement with Israel's Dover Tower to buy shares in the privatization of Haifa's port. Israel's Maersk, the world's number one container carrier, has announced that it will begin shipping between the UAE and Israel (Reuters, 2020).

3.6. Israeli Comparative Advantage: Technology and Innovation

One of the most important incentives for member states is the desire to take advantage of Israel's high-tech. Israel ranks among the most creative countries in the world, with more entrepreneurial projects, patents, technology companies, and scientific innovations per capita than any other country (Bakheit & Cukierman, 2020). The center of Israel's high-tech companies, named "Israeli Silicon Valley" is the second most important "Silicon Valley" in the world after its Californian counterpart (Bakheit & Cukierman, 2020). Innovative entrepreneurial projects are key areas for Gulf investors, ranging from medicine and agriculture to renewable energy, biotechnology, and artificial intelligence.

Similarly, the UAE is focused on innovation-based growth, and the UAE and Bahrain are making efforts to develop a knowledge economy through digital transformation and innovative entrepreneurial projects. The Abu Dhabi Investment Authority is also planning to open its first international branch in Israel to promote innovation cooperation (Rizvi, 2020).

New agreements on cooperation and technical partnership are already negotiated with a number of companies and research institutions. Abu Dhabi-based "Group24" specializes in artificial intelligence and cloud computing and is the first company in the UAE to announce plans to establish a wholly owned subsidiary in Israel. Israel's "Mobileye" has also signed a partnership with the UAE-based "Habtoor Group" to deploy a fleet of self-driving robot taxis in Dubai by the end of 2022. The UAE's Mohammed Bin Zayed University for Artificial Intelligence and Israel's Weizmann Institute of Science signed an agreement to support the development and use of artificial intelligence as a tool for progress. The region's digital economy is expected to emerge as the biggest winner. In addition, Bahrain is seeking to take advantage of Israel's technologies to serve the country's economic transformations as Bahrain intends to develop its technology industry due to the recent problems in the oil market. In this context, the two sides concluded an agreement in the fields of high-tech and science in mid-February 2022.

One possible area of cooperation relates to food security. Gulf countries currently import more than 90% of their food products. The Abraham Accords allow leading Israeli companies working in a variety of fields, such as micro-agriculture, irrigation, seed processing, desalination, and solar energy to enter the UAE and Bahrain markets and build partnerships with leading local companies engaged in modern agricultural technologies (age-tech) and biotechnology (Leichman, 2020).

In **Table 5**, we present the high-tech exports (percentage of manufactured exports) in the states parties of the Abraham Accords based on the World Bank data from 2016 to 2020.

The data reveal Israel's competitive power in high technology, accounting for a large proportion of its total exports and a major boost to its economy. As we

Table 5. The high-tech exports (percentage of manufactured exports) in the states parties of the Abraham Accords based on the World Bank data from 2016 to 2020.

	2016	2017	2018	2019	2020
UAE	2.6	2.7	3.0	2.9	5.2
Israel	21.8	21.1	22.5	23.1	28.2
Morocco	3.7	3.9	4.0	4.9	4.4
Bahrain	1.1	0.6	0.4	4.4	..
Sudan	..	..	..	..	..

Source: World Bank website.

have already indicated, states parties to the Abraham Accords want to use this technology to develop their production capacities.

4. Recommendations and Conclusion

States parties to the Abraham Accords have high hopes for the expected positive economic and security implications of the Accords, as some of them see it as a lifeline against Iran's military threat and the economic crises created by the COVID-19 pandemic. The United States is actively bringing together other regional countries, particularly Saudi Arabia, which hopes to strengthen itself with a strong partner. The various economic and security agreements arising from the Abraham Accords have received regional and global attention and are marketed in an unprecedented way to probably motivate other countries to join this regional economic and security integration.

It is too early to describe the Abraham Accords as a success story for regional economic integration because they are still in their infancy, and there are not yet data on many economic indicators to give us a clearer picture of the static and dynamic effects of this integration, such as the impact of customs incentives, trade flows between countries and in the region, prices, the volume of trade, competitiveness, the impact of agreements on productivity in the parties to the Accords, new employment opportunities, investment volume, capital movement, and other important indicators for studying any economic integration.

There is no doubt about the existence of a political will on the side of the integrated countries and the United States to further develop this integration and its success, which is an important factor in regional economic integration. We also believe that Israel, the UAE, Bahrain, and Morocco are putting in efforts to exploit this integration, which has generated many agreements. It is therefore important to examine the development of this integration, as it would shed light on the dynamics of economic and political relations in the region.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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