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Needed urgently: An Abraham

Accords dividend

Three years after the deal's signing, time is running out to show young people that cooperation and prosperity go hand in hand

By Glenn Yago

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(L-R) Bahrain Foreign Minister Abdullatif al-Zayani, Israeli Prime Minister Benjamin Netanyahu, US President Donald Trump, and UAE Foreign Minister Abdullah bin Zayed Al-Nahyan hold up documents after participating in the signing of the Abraham Accords where the countries of Bahrain and the United Arab Emirates recognize Israel, at the White House in Washington, DC, September 15, 2020. (SAUL LOEB / AFP)

September marks the anniversaries of both the Oslo Accords, at 30 years, and the Abraham Accords signed three years ago. The convergence of these occasions offers a chance for comparison and serious reflection about how to ensure that the hopes and dreams for today's Middle East in the 21st century are not held hostage by the past.

The last century largely left the Middle East-North African (MENA) region behind, hobbled by zero-sum regional conflicts, isolation, and slower

productivity growth relative to other places. Efforts to stabilize the region relied on “conflict economics,” which replaced genuine reform with distorted incentives such as attracting donors, subsidies, and preserving economic privileges instead of bolstering economic outcomes. In short, conflict economics induced greater investment in the region’s problems than in its solutions.

Inter-regional trade is less than 10%, while integrated investment and capital flows are similarly low, resulting in slow growth and less diversified economies. In a labor force growing 3.4% annually, limited regional integration lowers GDP growth by 1-2%. With over 25% unemployment, the region faces a demographic time bomb, rather than a demographic dividend enabled by job creation. Governments now have the daunting task of educating and hiring the region’s youth bulge.

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The numbers on business formation are also abysmal. According to World Bank data, the rate of new wage-paying businesses in MENA countries is stagnant at 0.63 per thousand working-age people (15-65 years old) compared to 4 new businesses per thousand in higher-income countries like Israel. When compared to start-ups in developing and emerging markets, MENA is only ahead of Sub-Saharan Africa in business formation and lags far behind in business survival and performance.

More than 50% of the region’s residents live in energy poverty — 65 million people do not have access to electricity and another 60 million suffer from undersupply and prolonged power outages. MENA has the highest level of water stress in the world, with 60% of the population having no access to drinkable water and 70% of its GDP having high water stress (less than 1000 m³ of water per person annually). The result is rising food insecurity in a

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region vulnerable to climate change and pandemic threats, as well as migration caused by conflict and climate change. The shared challenges are exacerbated by political instability and extremism, the common adversary to sustainable growth.

Good intentions alone do not ensure sweeping historic change for the better. What's needed is collaborative engagement for regional cooperation and integration – win-win arrangements that foster growth and prosperity. A RAND Institute study found that recent normalization agreements could create more than 5 million new jobs and \$1 trillion in new economic activity over the next decade. Needed urgently is an economic process that incentivizes the population to support negotiated solutions while offering a political horizon for normalcy.

Time is running out on the chance to demonstrate tangible results from the Abraham Accords. Without changing facts on the ground for young people – and fast – the region will default to continued conflict over increasing scarcity.

Congress should immediately appropriate a bi-partisan supported Abraham Fund frozen since 2021 in the midst of the pandemic recovery priorities. Originally, \$3 billion was to be injected by the US, followed by \$10 billion from the UAE and other Abraham Accord countries, and matched by large financial institutions. This would mobilize capital for further pre-development and investment plans to advance desperately needed environmental, trade, energy, water and agricultural projects. Regional sovereign wealth funds (with more than \$4.1 trillion under management) could carve a channel of impact capital into this growing pipeline of investible projects that would provide long-term, high-yield returns.

By aligning sustainable projects with societal goals in agriculture and food, water, public health, transportation, energy, environmental and social

infrastructure, communities in the region could weave the MENA regional economy together through transboundary projects. The \$4.1 trillion in regional sovereign wealth funds could recycle petrodollars into decarbonization projects. The new voluntary Carbon Exchange taking shape in Cairo could monetize carbon reductions for accelerating adaptation and adoption of clean technologies.

A central idea that arose from the Negev Summit and our subsequent working meetings launched in 2022 from Abu Dhabi to Rabat and all points in between was to launch a pipeline of projects and co-innovation teams to work on them. But this requires urgent capacity building of teams to finance and deploy new technologies accelerating sustainable solutions.

One replicable model emerged in the creative “water-electricity” swap plan approved at COP 27 in Sharm el-Sheikh, in which Jordan will supply solar energy to Israel and Israel will provide desalinated water to Jordan. This project design can inform other transboundary projects to support regional sustainable development targets in agriculture, water, energy, water and environmental infrastructure that need to be pursued now.

Following the disruptions caused by Russia’s invasion of Ukraine, the Eastern Mediterranean Gas Forum representing new MENA producers could coordinate investments in energy distribution infrastructure to Europe as well as mitigate and adapt to energy transition with technologies such as carbon capture, utilization, and storage, solar energy, and hydrogen storage to reduce methane and greenhouse gas emissions.

The Negev Summit strategy and subsequent steps towards regional integration differ from past cultural maps and narratives that, as we’ve learned from Jerusalem philosopher Moshe Halbertal, overlap and compete to exclude each other. In its place, new social, technological, and environmental

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maps zoom out to build upon inclusive solutions connecting new global growth poles linking Asia, Africa and Europe to the Mediterranean and North Africa.

During the Oslo period, the operating premise was that a bilateral Palestinian-Israeli peace would precipitate regional peace from inside the conflict outward. The Abraham Accords and the subsequent Negev Summit process suggest that the reverse is more likely – a regional process that could unlock an Israeli-Palestinian agreement.

Despite the headlines of imminent disaster, the sky is not falling in the Middle East. Defying diminished expectations, Arabs and Israelis continue their unprecedented efforts to move beyond the conflict by seeking common ground through the Abraham Accords bringing six Arab countries engaged with Israel in this process and others warming towards those ideas. As the saying goes: hope is a good breakfast, but a bad dinner. We must move from barely perceptible meetings to an unstoppable tide of sustainable projects to meet the region's challenges ahead.

ABOUT THE AUTHOR

Prof. Glenn Yago is the Senior Director of the Milken Innovation Center at the Jerusalem Institute for Policy Research where he leads its Graduate Fellows research and training program in conjunction with his teaching at the Hebrew University Business School. He is also a Senior Fellow at the Milken Institute and founder of its Financial Innovation Labs and a visiting professor at the University of California-Berkeley.