

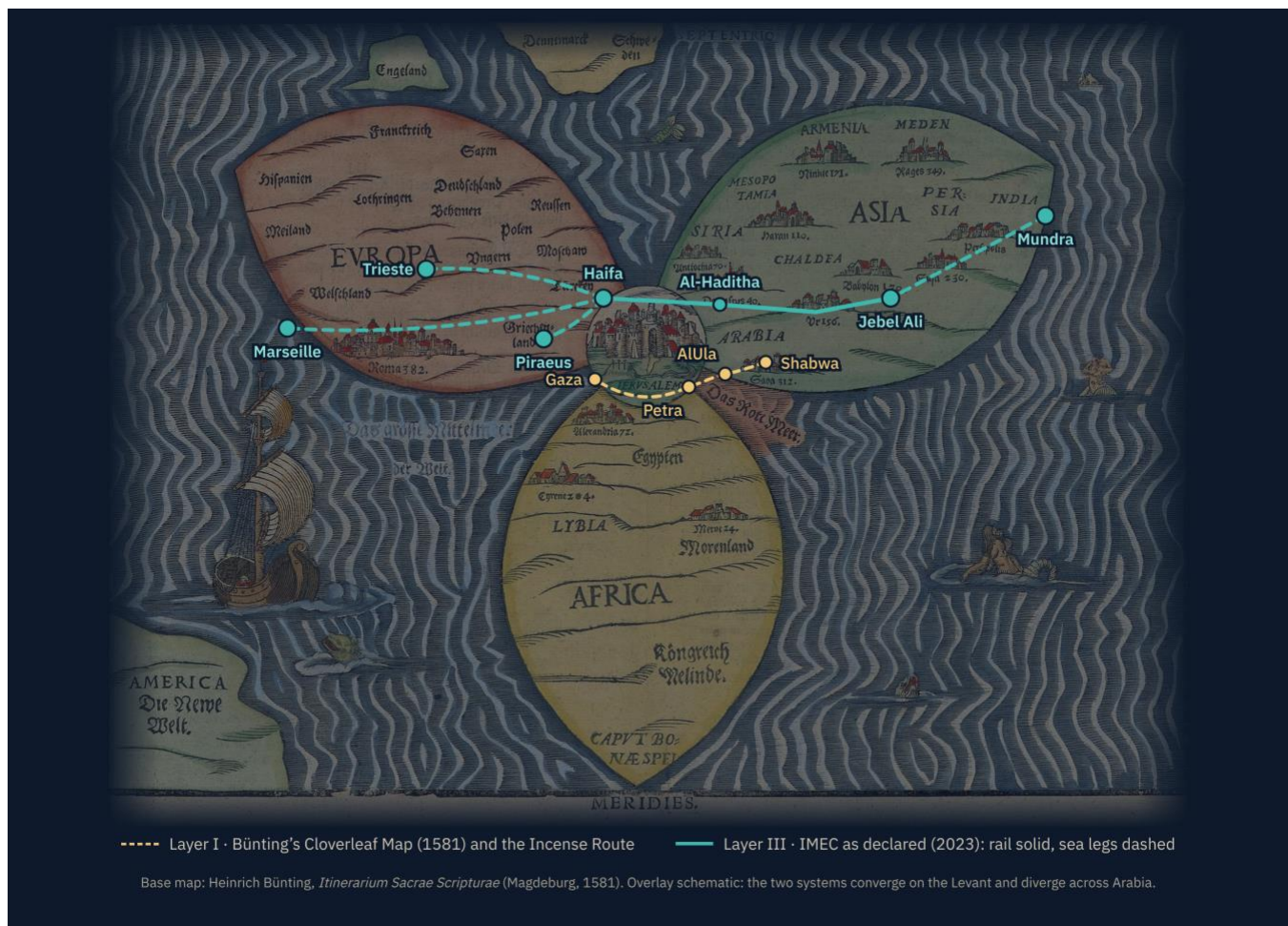
Policy Brief

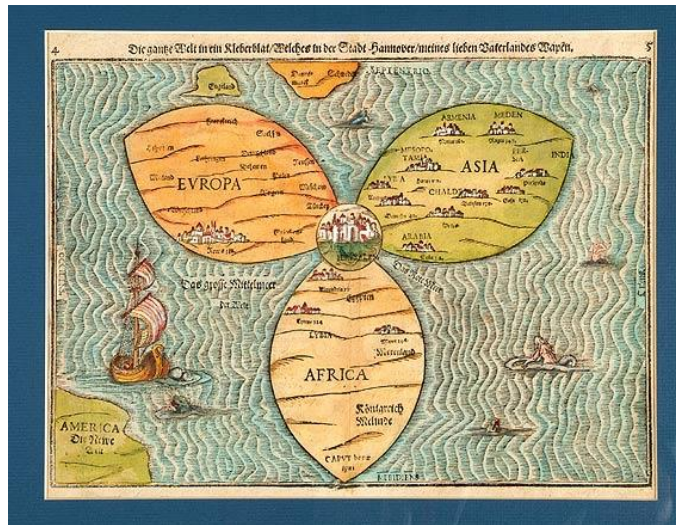
Back to the Future

The Return of the Corridor and the Eastern Mediterranean as a Transcontinental Growth Hub

Glenn Yago*

Presented at Israel in the Middle East from a Comparative Perspective Conference, Forum for Regional Thinking, Van Leer Jerusalem Institute, 26 October 2026





Map 1. Heinrich Bünting, the Cloverleaf Map, 1581

Purpose of this paper

This is both submitted as a research policy brief (for **Van Leer Jerusalem Institute Conference on Israel in the Middle East from a Comparative Perspective, Forum for Regional Thinking, October 26, 2026**) and a working framework for discussion of research and training to accelerate Fellowship programs in the Middle East and Eastern Mediterranean focused on sustainable economic development. It sets out the analytical frame — three historical layers, five maps — that will organize the Financial Innovations Lab and the assignments for IMEC and Abraham Fellows co-innovation teams. Section VI translates the frame into the specific deliverables those teams are being asked to produce, and as the call for submissions.

*Prof. Glenn Yago is Senior Director, Milken Innovation Center-Van Leer Jerusalem Institute (www.milkeninnovationcenter.org) and Founder, Financial Innovations Lab-Milken Institute. He teaches at the Hebrew University Business School and University of California-Berkeley Goldman School of Public Policy.

Abstract

Where we are in the Middle East is not a location. It is a sediment we need to excavate for mapping the future of the historical legacy of this region¹. This paper reads the region as three layers of economic, social, cultural and environmental history laid one on top of another, each with its own map and its own economic drivers — or of its marginalization as an isolated, underdeveloped, economically stagnant region peripheral to global centers of innovation.. The first layer is the corridor of antiquity: the Incense Route, the Via Maris, and the King's Highway, feeding the Silk Road and the Indian Ocean trade, in which long-distance exchange, not sovereignty, organized space. The second layer is the territory: the "Middle East" invented in 1902 as a naval-logistics

¹ Ishay, Micheline, "The India-Middle East-Europe Economic Corridor: Mapping the Future on a Historical Legacy," MENA 2050, July 28, 2026.

term to secure the passage to India, inflated through the Atlantic Charter and decolonization into a container for oil and energy politics, and then worked from the inside out at Oslo and from the outside in at the Abraham Accords to resolve the region's conflicts since 1918. The third layer, opened by the India–Middle East–Europe Economic Corridor (IMEC) announced weeks before October 7, 2023, returns to the logic of the first: the unit of analysis is no longer the state but the economic corridor to shape markets, and the driver is no longer conflict resolution but endogenous growth generated by connectivity, technology, human capital, trade, and capital formation.²

The layers of Middle East sediment do not replace one another; they accumulate, and they conflict. The argument here is that the second layer's categories — including the term "Middle East" itself — remain useful for measuring what the second layer produced, but useless for building what comes next. The paper closes by converting the framework into a research and project design agenda for the our anticipated series of Financial Innovations Labs on the IMEC and accelerating teaching, training and capacity building for project pipelines engaging potential regional Abraham Fellows.

I. The Argument: Three Layers, Five Maps

The question "where is the Middle East?" has no stable answer, and that instability is the most informative thing about it. Every generation has redrawn the boundary, and every redrawing has served a strategic purpose that had little to do with the people living inside the lines. Rather than argue about the correct borders, this paper proposes a different move: stop treating the region as a place with contested boundary edges and start treating it as a sequence of layers, each of which left behind a map and a mechanism. As discussed below, the underlying ideas, as geographer Parag Khanna defined it, is that “the future is defined by squiggly lines rather than straight lines”—functional, infrastructure-based connections of networks (roads, railways, pipeline, powergrids, trade and logistic corridors) rather than rigid, politically drawn borders.³

Three layers, five maps. The layers are long historical formations. The maps are the moments at which each layer became visible.

² Endogenous growth theory (Romer, 1986, 1990) explains sustained growth as driven by internal forces—especially innovation, R&D, and human capital—rather than exogenous technological progress, implying that policy, institutions, and investment in knowledge can permanently raise growth rates. New trade theory (Krugman, 1979–1980) complements this by showing how economies of scale, product differentiation, and imperfect competition generate intra-industry trade and specialization even among similar countries, thereby amplifying market size effects and reinforcing innovation-driven growth. The 2025 Nobel Prize in Economics (awarded to Joel Mokyr, Philippe Aghion, and Peter Howitt) further deepens this framework: Mokyr identifies the historical and institutional prerequisites for self-sustaining technological progress (“useful knowledge” and openness to change), while Aghion and Howitt formalize Schumpeterian “creative destruction” as the engine of ongoing innovation and replacement of old technologies, together explaining how modern economies achieve and maintain long-run growth.

³ Parag Khanna, “The Periodic Table of States,” *Foreign Policy*, 13 March 2025.

Table 1. The three layers

Layer	Period	Organizing unit	Driver of integration
I. Corridor	Antiquity to early modern	Route, caravan, port, market	Ancient globalization: Long-distance exchange of goods and services, technologies, and ideas
II. Territory	1902–2020	Sea lane, mandate, nation-state	Imperial control, then conflict resolution as a precondition for everything else
III. Corridor, returned	2023–	Node, corridor, city-region	Endogenous growth through connectivity, technology, trade, and capital formation

The five maps that anchor the argument are the Bunting Cloverleaf of 1581 (Map 1); the Google Ngrams trace of the phrase "Middle East" as a cultural artifact (Figure 1); the geographic inflation of that phrase from Dulles to Bush (Map 2); the Abraham Accords map of 2020 (Map 3); and the IMEC network map of 2023 (Map 4). The first belongs to Layer I, the middle to Layer II, the last to Layer III.

A methodological note is owed at the outset, because this paper does something that may look inconsistent. It argues that "the Middle East" is an incoherent colonial neologism, and then proceeds to use MENA trade, employment, and investment statistics as though the category were real. Both moves are deliberate. The category is not a description of a region; it is an artifact of Layer II. When we measure intra-regional trade at 9-17 percent, we are not measuring a natural economy performing badly. We are measuring precisely how much integration Layer II destroyed, using Layer II's own units. The statistics are valid as a diagnosis of the second layer and worthless as a design brief for the third. Layer III requires different units altogether — nodes, corridors, and city-regions. This is why and how the second half of this paper changes its vocabulary to concepts emerging from financial and technological innovation overcoming informational symmetries and resulting market failures that prevent us from financing the future. In this emerging landscape of Layer III, information asymmetries and market failures—such as underpriced climate risk, fragmented data on infrastructure viability, and misaligned incentives between public and private actors—create financing gaps that can only be bridged through financial and technological innovation, including parametric insurance, blended finance structures, structured credit for long term investments, geospatial analytics for better planning and diagnostics, and AI-driven risk modeling to price, allocate, and mobilize capital toward resilient, future-proof projects.

II. Layer One: The Corridor as Civilization

Israel, a deeply Mediterranean country, is not now and has never been part of the "Middle East." That term never captured the historical or the future centrality of the Eastern Mediterranean. It was from that cosmopolitan region that Jerusalem and Israel's origins emerged from more than three thousand years ago. That region was cosmopolitan even in antiquity, its material and cultural history built far more on the diversity and richness of human imagination and human capital than on the xenophobia and fundamentalism later fueled by natural resources extraction and the conflicts over them in the 20th century. It is that same force of imagination and cultural evolution that defines the Eastern Mediterranean's region's competitive advantage now.

Heinrich Bünting drew his cloverleaf in 1581, only nine decades after the discovery of the New World, and placed Jerusalem at the junction of Europe, Asia, and Africa.⁴ It is easy to read the map as devotional geography and stop there. That reading misses what Bünting had right. Israel is not, and never was, the geometrical center of the physical world. But the socially constructed centrality of the Eastern Mediterranean was already well understood in 1581 — long before archaeologists recovered the ancient trade routes, the early migrations from semi-nomadic wandering to agricultural settlement, and the urbanization, metallurgy, and commerce of the Syrian–African Rift Valley. Bünting was not drawing piety. He was drawing a trade junction.

Much later, in the eighteenth century, Montesquieu made commerce the major tenet of a market economy and the foundation of peace among nations. Albert O. Hirschman carried that idea into twentieth-century development economics by quoting him: "...the natural effect of commerce is to lead to peace. Two nations that trade together become mutually dependent on one another: if one has an interest in buying, the other has an interest in selling; and all unions are based on mutual needs."⁵

The routes beneath the map

Fernand Braudel's achievement was to show that the Mediterranean was a single, interdependent civilizational space long before any political authority governed it as one.⁶ What held it together was not empire but exchange. Grain, olive oil, wine, figs, dates, metals, dyes, glass, and above all

⁴The Bünting Cloverleaf Map is from Heinrich Bünting (1545–1606), *Itinerarium Sacrae Scripturae* (Travel Book through the Holy Scriptures), 1581, depicting Europe, Asia, and Africa joined at Jerusalem, physically and symbolically. Bünting's book of maps was among the most widely circulated works of the late sixteenth century. From this transboundary Eastern Mediterranean passage between the desert and the sea emerged writing, bookkeeping, agriculture, monotheism, and other social and technical inventions that changed the ancient world.

⁵ Montesquieu, *The Spirit of the Laws* (1748), Book XX, ch. 2; Albert O. Hirschman, *The Passions and the Interests* (Princeton, 1977), which quotes this passage.

⁶Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II*, 2 vols., trans. Siân Reynolds (New York: Harper & Row, 1972–73); and Braudel, *Civilization and Capitalism, 15th–18th Century* (New York: Harper & Row, 1981–84).

ideas, technologies, and cultural moved along a small number of durable routes, and the societies strung along those routes converged — in weights and measures, in credit practice, in law, in language — because commerce required convergence. Cohesion was a byproduct of trade, not a precondition for it. This is the single most important inheritance of Layer I, and the one Layer II inverted.

Four route systems did the work, and each has a direct descendant in the third layer:

- **The Incense Route.** Overland camel-caravan systems carried frankincense and myrrh from southern Arabia north through the Hejaz to Petra, then west to Gaza and the Mediterranean ports. AlUla, Petra, and Avdat were not curiosities; they were customs posts, water points, and financial clearing houses on a corridor that ran roughly where IMEC's northern land bridge is now proposed.
- **The Via Maris.** The coastal trunk linking Egypt to Gaza, the Levantine ports, Syria, and Anatolia — the road that made the southern Levant a gateway rather than a periphery, and that survives today as the coastal rail, road, and pipeline alignment.
- **The King's Highway.** The inland north–south route from Aqaba through Edom, Moab, and Ammon to Damascus. Its Israeli remnant is Route 60, the road down which one still drives to Wadi Attir in the Negev; its Jordanian remnant is the alignment of the North–South Corridor from the Syrian border to the Port of Aqaba.
- **The Silk Road and the Indian Ocean trade.** The eastern connections into which all of the above fed, and whose contemporary reconstruction is China's Belt and Road Initiative — the strategic reason IMEC exists at all.

Layer I route systems and the IMEC alignment compared

Ancient alignments after the standard route literature; IMEC shown as declared in the 2023 memorandum. Schematic, not a least-cost computation.

A. The long-distance systems



B. The Levantine convergence



— Incense Route — Via Maris — King's Highway — Indian Ocean / Gulf feeds — IMEC land corridor (indicative) — IMEC maritime legs

Ancient waypoints are documented sites, connected schematically; they do not represent surveyed road centrelines.

Map 1 B. Layer I route systems and the IMEC alignment compared. Ancient alignments follow documented waypoints connected schematically; IMEC is shown as declared in the 2023 memorandum. The figure is a comparison of route geography, not a least-cost computation.

What do we know about the Ancient Corridor and the markets it shaped?

The corridor of antiquity is easier to invoke than to measure, and the difference matters for what can be claimed from it. No customs series survives from Judaea, no register of tonnages through Gaza, no ledger of what left Petra. We know the second layer in dollars and percentages because the second layer built the apparatus that produces dollars and percentages. The first has to be read from archaeological proxies: amphorae and coin circulation, shipwreck distributions, the refuse heaps of desert way-stations, and the incidental economics embedded in legal and literary texts written for other purposes. The standard reconstruction of the regional economy nevertheless reaches a conclusion worth stating plainly — that the province ran to a great extent on an open market, with inter-regional trade frequent and transport costs low enough to sustain economic openness.⁷ That is a finding about geographic and economic structure that emerged in antiquity based on archaeology.

What this region sold is better documented than how much of it. The high-value export was balsam, the aromatic resin cultivated only in the oases of the Dead Sea basin at Jericho and Ein Gedi, and sold by weight at roughly twice the price of gold — plausibly the highest price ever commanded

⁷ On the evidentiary base see Ze'ev Safrai, *The Economy of Roman Palestine* (London and New York: Routledge, 1994), esp. ch. 3, "Trade in the Land of Israel in the Roman Period," which opens with the Second Temple period, and ch. 5, "Open or Closed Economy in the Land of Israel during the Roman Period?"; and Jack Pastor, "Josephus as a Source for Economic History: Problems and Approaches," in *Making History: Josephus and Historical Method*, ed. Zuleika Rodgers, JSJSup 110 (Leiden: Brill, 2007), 334–346.

by an agricultural commodity. Pliny treats it as a Judaeian monopoly and provides a valuation directly.⁸ Around it sat a narrower trade in Jericho dates, Dead Sea bitumen, and salted fish from the Sea of Galilee, alongside a dense regional commerce in pottery and stone vessels that is visible now only archaeologically.⁹ After 70 CE the balsam groves passed into imperial hands, and the most valuable thing the territory produced became a fiscal asset of the conqueror.¹⁰

Two different mechanisms are at work here, and corridor arguments routinely conflate them. Balsam earned a **product rent**: the plant grew nowhere else, so value accrued to whoever held the ground, and it was capturable by conquest precisely because it was fixed to the soil. Nabataean wealth was something else — a **network rent**, earned by moving other people's goods along a route that converged on Petra and ran west to the Mediterranean at Gaza, a journey Pliny put at sixty-two days from southern Arabia. The first is a claim on a place. The second is a claim on a flow. They fail in different ways, and only the second is the ancestor of what IMEC proposes in our journey back to the future.

The way the second one failed is the part of the first layer that should give hope for the third layer of IMEC in the making. Long-distance traffic on the Petra–Gaza road reached its apex after the Roman annexation of 106 CE and then declined markedly through the third century, as maritime routes up the Red Sea and the rise of Palmyra pulled caravans away from the Negev. The desert cities that had prided themselves as indispensable discovered they had been contingent, and they survive today as a heritage inscription rather than as an economy.¹¹ Corridors relocate, and the third century sends the warning forward. A node is worth what it would cost the traffic to go around it, and Petra's worth was the difference between the desert road and the sea. When that difference narrowed, so did Petra, and no authority sitting in Petra could legislate it back. This paper advances the same proposition from the modern end, about geopolitical agreements: an agreement can announce a route. It cannot make a route worth using.

One recent finding cuts against the simplest reading of the ancient corridor as extraction. Excavation of caravanserais middens along the Negev section of the route has shown goods moving

⁸ Shimshon Ben-Yehoshua, Carole Borowitz and Lumír O. Hanuš, "Frankincense, Myrrh, and Balm of Gilead: Ancient Spices of Southern Arabia and Judea," *Horticultural Reviews* 39 (2011): 1–76; Gideon Hadas, "The Balsam 'Afarsemon' and Ein Gedi during the Roman-Byzantine Period," *Revue Biblique* 114 (2007): 161–173. Pliny, *Naturalis Historia* 12.111–123.

⁹ Mordechai Aviam, "People, Land, Economy, and Belief in First-Century Galilee and Its Origins: A Comprehensive Archaeological Synthesis," in *The Galilean Economy in the Time of Jesus*, ed. David A. Fiensy and Ralph K. Hawkins (Atlanta: Society of Biblical Literature, 2013), 5–48.

¹⁰ Hannah M. Cotton and Werner Eck, "Ein Staatsmonopol und seine Folgen: Plinius, *Naturalis Historia* 12.123 und der Preis für Balsam," *Rheinisches Museum für Philologie* 140 (1997): 153–161; Hannah M. Cotton, "Ein Gedi between the Two Revolts," *Scripta Classica Israelica* 20 (2001): 139–154.

¹¹ On the post-annexation peak and the third-century decline of the Petra–Gaza road, see the survey literature on Nabataean settlement in the central Negev. The surviving sites are inscribed as UNESCO World Heritage, "Incense Route – Desert Cities in the Negev" (2005).

in both directions, against the long-standing assumption of one-way transit from Arabia to the Mediterranean.¹² Goods moving in both directions means these towns were a market, not merely a source. That is the practical content of the claim that exchange, rather than sovereignty, organized this space: the Negev bought as well as sold. It is also why the first layer is worth mining for design rather than quoting for atmosphere — an extractive corridor offers nothing to build on, while a trading one does.

The first layer also contains a transfer economy with no counterpart in the standard trade accounts. The half-shekel obligation drew revenue from the diaspora into Jerusalem, and the three pilgrimage festivals concentrated consumption in a city whose Temple mobilized resources on a scale comparable to a city in its own right.¹³ Jerusalem's external earnings were, in modern terms, largely transfers and services rather than goods. The resemblance to the contemporary export profile examined below is worth noticing and worth handling as a resemblance: the mechanisms are not the same, and nothing follows from it except the observation that this region's most durable earnings have rarely been the ones that move in containers.

Finally, the geography of the first layer is now computable, which is what converts this section from illustration into evidence. The ORBIS model of the Roman world encodes several hundred places joined by road, river and sea links, each weighted by the cost of transport, and the Oxford Roman Economy Project maintains open databases of shipwrecks, presses, mines and quarries.¹⁴ Least-cost paths between the first layer's nodes can therefore be calculated and set against IMEC's declared route, producing a comparison of ancient and contemporary transport geography on a common cost metric rather than a visual analogy between two maps. Map 1 B sets the two route systems side by side as a first approximation; note that the Levantine terminus is shared while the Arabian crossings are not, since the Gulf-to-Mediterranean axis in antiquity ran through Palmyra rather than the Hejaz. Completing that comparison properly is proposed as one of the deliverables in Section VII.

This is the substance of the "back to the future" claim. It is not nostalgia. The proposition is that the region's default condition, over the longest time horizon available to us, is connection; that the twentieth century was the anomaly; and that the infrastructure now being proposed largely retraces

¹² "Caravanserai Middens on Desert Roads: A New Perspective on the Nabataean–Roman Trade Network across the Negev," *Antiquity* (2022) [full author list to be confirmed].

¹³ Anthony Keddle, "Economy of the Sacred," in *Class and Power in Roman Palestine* (Cambridge: Cambridge University Press) [year to confirm]; Benjamin D. Gordon, *Land and Temple: Field Sacralization and the Agrarian Priesthood of Second Temple Judaism* [publisher and year to confirm].

¹⁴ Walter Scheidel and Elijah Meeks, *ORBIS: The Stanford Geospatial Network Model of the Roman World*, version 2.0 (Stanford University, 2014) (<https://orbis.stanford.edu/>). Alan K. Bowman and Andrew I. Wilson, eds., *Quantifying the Roman Economy: Methods and Problems*, *Oxford Studies on the Roman Economy* (Oxford: Oxford University Press, 2009); J. Strauss, A. I. Wilson and M. Flohr, *OxREP Shipwrecks Database*, version 2.1 (2017).

alignments that were surveyed by caravan masters two millennia ago because the geography that made them efficient has not changed.

III. Layer Two: Territory as Strategy, 1902–2020

A naval term for a naval problem

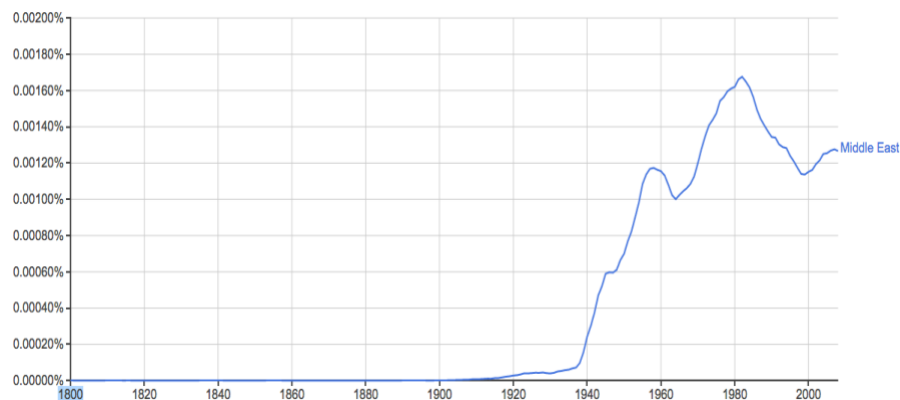
In September 1902, Alfred Thayer Mahan — a retired American naval captain, later promoted rear admiral on the retired list, and the most influential naval strategist of his era — published "The Persian Gulf and International Relations" in the *National Review*, a London monthly. In it he wrote of "the Middle East, if I may adopt a term which I have not seen," and located it around the Persian (later Arabian) Gulf.¹⁵

Two things about that sentence matter more than coinage of the neologism "Middle East" itself. First, Mahan was not writing about culture, history, or people. He was writing about sea lanes, and specifically about how Britain might keep Russia away from warm-water ports and preserve the passage to India. The Persian Gulf, in his argument, was the most important waypoint after Suez. Second, the term had no content of its own. It was defined by where it stood in relation to London: east of Britain, and in the middle between a Near East that was Ottoman and a Far East that was Chinese. Half a billion people now live inside a name that only parses if you are looking at a map from Whitehall. The importance of sea lanes and imperial defence advanced rapidly after World War I with collapse of the Ottoman Empire, the discovery and development of major oil fields in Iran, Iraq, and the Arabian Peninsula, and the establishment of British, French, and later American mandates securing oil and gas concessions and pipeline routes.

The Ngrams trace makes the recency visible. The phrase barely exists before 1900, climbs through the interwar mandates, and takes off after 1945.

¹⁵Alfred Thayer Mahan, "The Persian Gulf and International Relations," *National Review* 40 (September 1902): 27–45. Mahan retired from active service in 1896 and was advanced to rear admiral on the retired list in 1906; he never served with the British Admiralty, though he was closely read there. The term was popularized and greatly expanded within months by Valentine Chirol of *The Times* of London in a series later collected as *The Middle Eastern Question, or Some Problems of Indian Defence* (London: John Murray, 1903).

Figure 1. "Middle East" in the Google Books corpus, 1800–2020



Source: Google Ngrams Viewer.

The takeoff is not accidental. The Atlantic Charter of August 1941, drafted by Roosevelt and Churchill aboard ship off Newfoundland, set out the principles of the postwar order — self-determination, freedom of the seas, and access to trade and raw materials on equal terms. Applied to the territories between the Mediterranean and India, those principles produced states. The mandate system was wound up, borders drawn for administrative and petroleum convenience were converted into sovereignty, and the naval-logistics term acquired a population, a set of flags, and eventually a seat count at the United Nations. A phrase invented to describe a shipping problem became the name of a civilization embedded in the 20th Century.¹⁶

Geographic inflation

Once the term existed, it expanded to fit whatever the strategy of the geopolitical moment required. After the First World War it stretched to Iran, Afghanistan, Central Asia, Turkestan, and the Caucasus. In 1957, Secretary of State John Foster Dulles described the Middle East as everything from Libya in the west to Pakistan in the east, from Syria and Iraq in the north to the Arabian Peninsula in the south, plus Sudan and Ethiopia. In 2004 the Bush administration met that swollen definition and raised it, effectively identifying the Middle East with most Muslim-majority regions. The result is a catch-all category whose boundaries shift with the interests of those using it. The remaining common characteristic is little more than a shared relationship to strategic anxiety from Washington to Tehran and all points in-between (and on to Moscow and Beijing as well).

¹⁶On the Ngrams method, see J.-B. Michel et al., "Quantitative Analysis of Culture Using Millions of Digitized Books," *Science* 331, no. 6014 (2011): 176–182.

Map 2. Geographic inflation of the "Middle East," 1957–2014



Source: Wikimaps, 2014.

Analytic imprecision produces imprecise politics. The consequence of a region defined by strategic convenience is a preoccupation with group-based identity over economic trend and technological innovation as the driver of foreign policy. International attention has fixed almost exclusively on elections, sanctions, and negotiations, while job creation, market building, and capital formation — the actual preconditions of durable peace — have been relegated to the day after final status.¹⁷

1948 to Oslo: resolution from the inside out

Layer II's first conflict settlement strategy ran from the center of the conflict outward (the failure of the UN's partition plan for a Jewish and Arab State in Palestine after the Arab rejection and the War of Independence). By 1993, the operating premise of the Oslo period was that a bilateral Palestinian–Israeli peace would precipitate a regional one defusing threats from Iran, Iraq, Syria and other parts of the region. By solving the “core” conflict, and the periphery would follow. The strategic logic behind it was sound enough on its own terms — a settled Israeli–Palestinian conflict would free Arab states to align openly with Israel against ascending nuclear and revanchist powers (Iraq and Iran) and irredentist politics. But the sequencing placed the hardest problem first and made everything else contingent on it.

September 2026 marks thirty-three years since Oslo and six years since the Abraham Accords. The convergence invites comparison, and some sober reflection about how not to let the hopes of this century be held hostage by the last one. The IMF's finding is the relevant scoreboard: a decade

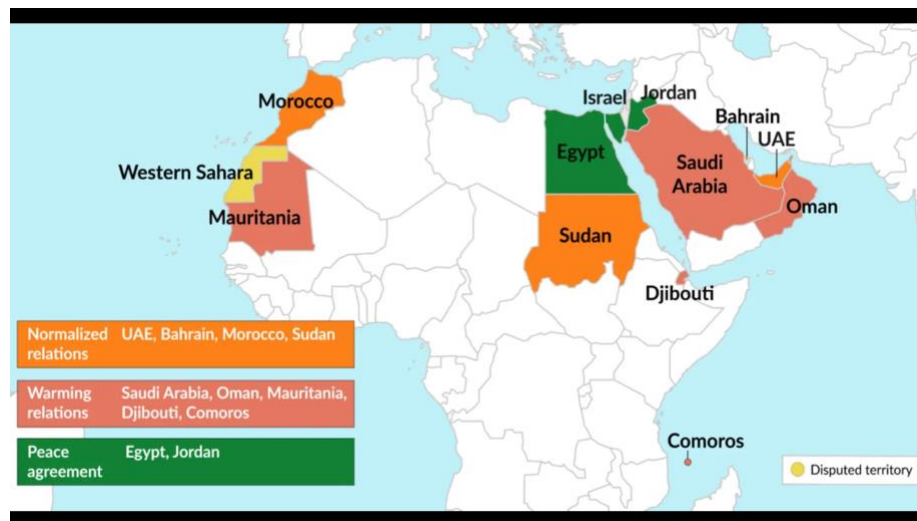
¹⁷The principle of “final status” that “nothing is agreed until everything is agreed” comes from multilateral trade negotiation, where it is known as the single undertaking. It has an uneven record even there, and it is unclear why it became received wisdom for Israeli–Palestinian negotiation. See Philip I. Levy, “Do We Need an Undertaker for the Single Undertaking? Considering the Angles of Variable Geometry,” in S. J. Evenett and B. M. Hoekman, eds., *Economic Development and Multilateral Trade Cooperation* (Basingstoke: Palgrave Macmillan, 2006).

after severe conflict, per capita income in an affected Middle Eastern economy remains roughly ten percent below that of conflict-affected states elsewhere.¹⁸

2020: the Abraham Accords and the inversion

The Abraham Accords reversed the traditional sequence. Rather than waiting for progress on the Israeli–Palestinian issue, Israel’s normalization with the UAE, Bahrain, Morocco, and Sudan (and ultimately Malaysia, Indonesia, Saudi Arabia and others anticipated before October 7)—followed by the Negev Summit process—adopted an “outside-in” approach: build regional cooperation first, with the expectation that its accumulated weight could eventually help unlock the Israeli–Palestinian conflict. The inversion was real and it was significant. But it remained, in structure, a Layer II move. The unit of account was still the nation-state; the instrument was still the diplomatic agreement; and the economics were still expected to follow politics rather than to constitute it.

Map 3. The Abraham Accords and the arc of normalization



Source: Milken Innovation Center, N-7 meetings, Rabat, Abu Dhabi 2022-23.

That is why the results have been thinner than the signing ceremonies suggested. A RAND study estimated that normalization could generate more than five million jobs and a trillion dollars of new economic activity over a decade. Little of it has been mobilized. The bipartisan Abraham Fund, capitalized at three billion dollars from the United States, followed by ten billion from the UAE and other signatories and matched by financial institutions, was never appropriated and has been frozen since 2021 — first behind pandemic recovery, then behind the wars. Regional sovereign wealth funds hold more than four trillion dollars under management and could still carve a channel of impact capital into a pipeline of investible projects offering long-term, high-yield

¹⁸IMF, Regional Economic Outlook: Middle East and Central Asia (Washington, DC: International Monetary Fund, April 2024).

returns. They have not--yet.¹⁹ Time is running out on the chance to show tangible results. Without changing facts on the ground for young people and job creation and business formation, and quickly, the region defaults to conflict over scarcity that keeps deepening.

What the second layer cost

The economic record of Layer II is the strongest available argument for moving past it. Through the last century the region was left behind — hobbled by zero-sum conflict, isolation, and slow productivity growth. Stabilization relied on what is best called conflict economics: distorted incentives that rewarded attracting donors, sustaining subsidies, and protecting privileges instead of improving outcomes. Global political powers can invoke and recreate historical traumas, structure traps, and self-sabotaging economic conflicts, even when confronted with long-term costs. In short, conflict economics induced more investment in the region's problems than in its solutions.²⁰

The numbers are consistent across every dimension that matters:

- Intra-regional trade runs between 9 and 17 percent of total trade, generally measured as the lowest of any major world region, with integrated investment and capital flows similarly thin. In a labor force growing around 2 to 3 percent annually, limited regional integration is estimated to cost 1 to 2 percentage points of GDP growth..²¹ Persistently high youth exclusion—especially among young women, whose unemployment rate in MENA reaches 31.9 percent—risks turning the region's potential demographic dividend into a demographic liability.²²
- Business formation is dismal. World Bank data on new business density—newly registered limited-liability firms per 1,000 working-age people—suggest that formal firm creation in MENA is weak relative to higher-income economies. The region also faces persistent constraints on firm survival, growth, access to finance, and productivity, limiting the capacity of entrepreneurship to generate large-scale wage employment. This puts the rate

¹⁹This program for co-innovation teams (Abraham Fellows) was to have been presented at the N-7 conference scheduled for Tel Aviv, 10–12 October 2023, which was cancelled with the outbreak of the October 7 War. Additional Abraham Accords candidate countries were to have participated.

²⁰ See Anderton, Charles H.; Carter, John R. (2009). *Principles of conflict economics: a primer for social scientists*. Cambridge New York: Cambridge University Press.

²¹ Intra-regional trade shares and GDP figures: World Bank / IMF Direction of Trade Statistics; IMF World Economic Outlook (April 2025), GDP based on PPP, share of world total; Milken Innovation Center, Milken Institute Global Conference, May 6, 2026.

²² Atlantic Council, The India–Middle East–Europe Economic Corridor: Connectivity in an Era of Geopolitical Uncertainty (Aug 2025); J. Bertrand, et.al., “Youth Unemployment in the Middle East,” Atlantic Council, August 24, 2026. Daniel E. Azar, “The Middle East’s Greatest Killer Is Not What You Think,” *MENASource*, Atlantic Council, June 23, 2026

of new wage-paying firms in MENA countries at roughly 0.63 per thousand working-age people, against about 4 per thousand in higher-income economies such as Israel. Against developing and emerging markets, MENA leads only Sub-Saharan Africa in formation, and lags badly in survival and performance.²³

- Energy poverty in the Middle East is increasingly a problem of reliability and resilience as well as nominal grid access. In fragile and conflict-affected settings, damage to energy infrastructure, chronic underinvestment, fuel constraints, and weak utility financing leave households and firms exposed to rationing and prolonged outages. More than half the region's residents live in energy poverty: roughly 65 million without access to electricity and another 60 million facing undersupply and prolonged outages.²⁴
- MENA is the most water-stressed region on earth. More than 60 percent of the population has little or no access to drinkable water, and over 70 percent of regional GDP is exposed to high or very high water stress, against a global average of 22 percent (WEF 2019). Renewable water availability is already below the 1,000 m³ per capita scarcity threshold and is projected to fall under 500 m³ — absolute scarcity — by 2030 (World Bank 2023). Climate-related water scarcity is expected to cost the region 6–14 percent of GDP by 2050, the highest losses in the world, with food insecurity and displacement following.²⁵
- Agriculture cannot close the gap, and the shortfall arrives by corridor. MENA is the most food-import-dependent region on earth. Dependency has climbed from roughly 10 percent of food needs in the early 1960s to about 40 percent today, and is projected to reach 50 percent by 2050 under current trends and severe climate impacts (Le Mouél et al. 2023). Most Arab countries import at least half the calories they consume; across the region 40 percent of dietary energy and 63 percent of protein derive from imported grain (Rahimi et al. 2023). Egypt, the world's largest wheat importer, buys some 60 percent of its consumption; GCC reliance approaches 85 percent. The constraint is physical rather than agronomic — agriculture already absorbs roughly 85 percent of regional water, and the Near East and North Africa is the only region on earth where harvested area is expected to shrink by 2050 (FAO 2023). The result is 66.1 million people in the Arab region facing hunger in 2023 and 186.5 million, nearly 40 percent, in moderate or severe food insecurity (FAO 2024). Because the gap is closed by sea, food security here is a logistics problem before it is an agricultural one: it rests on a handful of ports, two chokepoints, and a supplier

²³ See World Bank Enterprise Surveys, 2022–25.

²⁴ World Bank, *Challenges of Conflict and Industrial Policy for Development: Middle East, North Africa, Afghanistan & Pakistan Economic Update*, April 2026 (Washington, DC: World Bank, 2026) World Bank, *The Water-Energy-Food Nexus in the Middle East and North Africa* (Washington, DC: World Bank, 2018).

²⁵ World Economic Forum, "Water scarcity is a growing problem across the Middle East" (2019); World Bank, *The Economics of Water Scarcity in MENA: Institutional Solutions* (2023); WRI Aqueduct 4.0 (2023).

base in which some 30 percent of world wheat and barley exports originate in two countries at war with each other.²⁶

Growth is not merely a consequence of peace; it is a condition of it. Job creation reduces grievance and makes armed conflict less attractive.²⁷ Where youth make up 35 percent or more of the population, the risk of instability and violence rises sharply.²⁸ It is not the absolute number of young people that drives this, but the absence of economic opportunity. Lack of social recognition, weak employment prospects, and frustrated returns to education compound conflict. Low per capita income, weak growth, and horizontal inequalities — inequality between groups rather than between individuals²⁹ — together provoke violent group mobilization.³⁰ Political negotiation is treated as zero-sum: what we win, you lose. Regional economic cooperation is not an end in itself; the transactional trust it generates is the foundation upon which both markets and states are shaped and built.

The Trap: Geopolitical Repetition Compulsion

Game theory suggests a precise way to understand why Israeli-Palestinian negotiations keep cycling through the same patterns of hope, breakdown, and return to violence: the conflict is a repeated strategic game with high stakes, low trust, and strong incentives to defect, which locks both sides into a self-reinforcing equilibrium.³¹ The region's problems cannot be solved by microanalysis — by isolating Jerusalem or Israel or Palestinians, dividing neighborhoods, or restricting metropolitan flows of labor and capital. A review of every scenario produced by Israeli-Palestinian

²⁶ Chantal Le Mouél et al., “Can the Middle East–North Africa Region Mitigate the Rise of Its Food Import Dependency under Climate Change?” *Regional Environmental Change* 23, no. 2 (2023): 52; Jaber Rahimi et al., “The Potential Consequences of Grain-Trade Disruption on Food Security in the Middle East and North Africa Region,” *Frontiers in Nutrition* 10 (2023): 1239548; FAO, *The State of Land and Water Resources for Food and Agriculture in the Near East and North Africa Region* (Cairo: FAO, 2023); FAO, IFAD, UNICEF, WFP, WHO and ESCWA, *Near East and North Africa – Regional Overview of Food Security and Nutrition 2024: Financing the Transformation of Agrifood Systems* (Cairo: FAO, 2024).

²⁷ Sebastian Welisiejko, “The Palestinian Economy,” presentation at the Milken Innovation Center, Jerusalem Institute, August 2015.

²⁸ Macartan Humphreys and Ashutosh Varshney, “Violent Conflict and the Millennium Development Goals,” MDG Poverty Task Force Workshop, Bangkok, June 2005; Human Security Report Project, *Human Security Report 2009/2010: The Causes of Peace and the Shrinking Costs of War* (New York: Oxford University Press, 2011).

²⁹ Lars-Erik Cederman, Nils B. Weidmann, and Kristian Skrede Gleditsch, “Horizontal Inequalities and Ethnonationalist Civil War: A Global Comparison,” *American Political Science Review* 105, no. 3 (2011): 478–495.

³⁰ Paul Collier and Anke Hoeffler, “Greed and Grievance in Civil War,” *Oxford Economic Papers* 56, no. 4 (2004): 563–595, which tests rival explanations across 79 civil conflicts between 1960 and 1999. See also Jacob Udell, Glenn Yago, and Steven Zecher, “Still Digging Out: The Economics of a Palestinian Future,” Milken Innovation Center, October 2016.

³¹ Aumann, Robert J. “War and Peace.” Nobel Lecture, Dec. 8, 2005. Published in *PNAS* 103(46): 17075–17078; Powell, Robert. “War as a Commitment Problem.” *International Organization* 60(1), 2006. Clayton, Christopher, Antonio Coppola, Matteo Maggiori, and Jesse Schreger. 2025. “Goeconomic Pressure.” NBER Working Paper 34020, National Bureau of Economic Research, Cambridge, MA.

negotiation³² — Camp David, the Clinton Parameters, Taba, the Sharon and Olmert years, the dead end of 2014 — leads to the same unsettling conclusion. Plans that fragment the Jerusalem metropolitan region and Israel rather than link it recreate precisely the conditions that suppress employment and technological innovation-led sustained economic growth. On the evidence, every existing scenario would return the Jerusalem region to the periphery it occupied before 1967, most likely triggering an exodus of residents and businesses.³³

Each failed negotiation signals to residents that the next round of violence is coming. The continued demand that the status of Jerusalem, Israel, or Palestine be settled as a precondition for ending the conflict magnifies difference and masks the underlying uniformity of the region's environmental, energy, health, transport, communications, and human capital opportunities. This is the definition of the trap: a method that guarantees the outcome it is meant to prevent, repeated because no one can think outside the frame that produced it. Zooming out is the way out.

IV. Layer Three: The Corridor Returns, 2023—

There is an irony worth naming. The India–Middle East–Europe Economic Corridor was unveiled at the G20 (initiated by the Indian and global business community's B20) in New Delhi in September 2023, barely a month before 7 October and the wars that followed: first with Hamas, then with the rest of Iran's Ring of Fire surrogates, and ultimately with Iran itself. The blueprint for stitching the region together arrived almost to the week before it was torn apart. It is tempting to read that as the plan's obituary. It is closer to the plan's whole point. The wars are the question; a region bound together by trade, water, and power rather than divided by them is the answer.

What makes IMEC a genuinely new layer rather than another Layer II initiative is the unit of analysis. The Abraham Accords organized states. IMEC organizes nodes. A corridor is not a treaty between sovereigns; it is an alignment of ports, rail heads, border posts, tunnels and logistical infrastructure, data pipes, grids, and financing vehicles.³⁴ Each of these is a separately financeable asset with its own sponsor, revenue line, and timetable, which is why the corridor's segments advance at different speeds and why Gulf grid and rail integration has continued regardless of

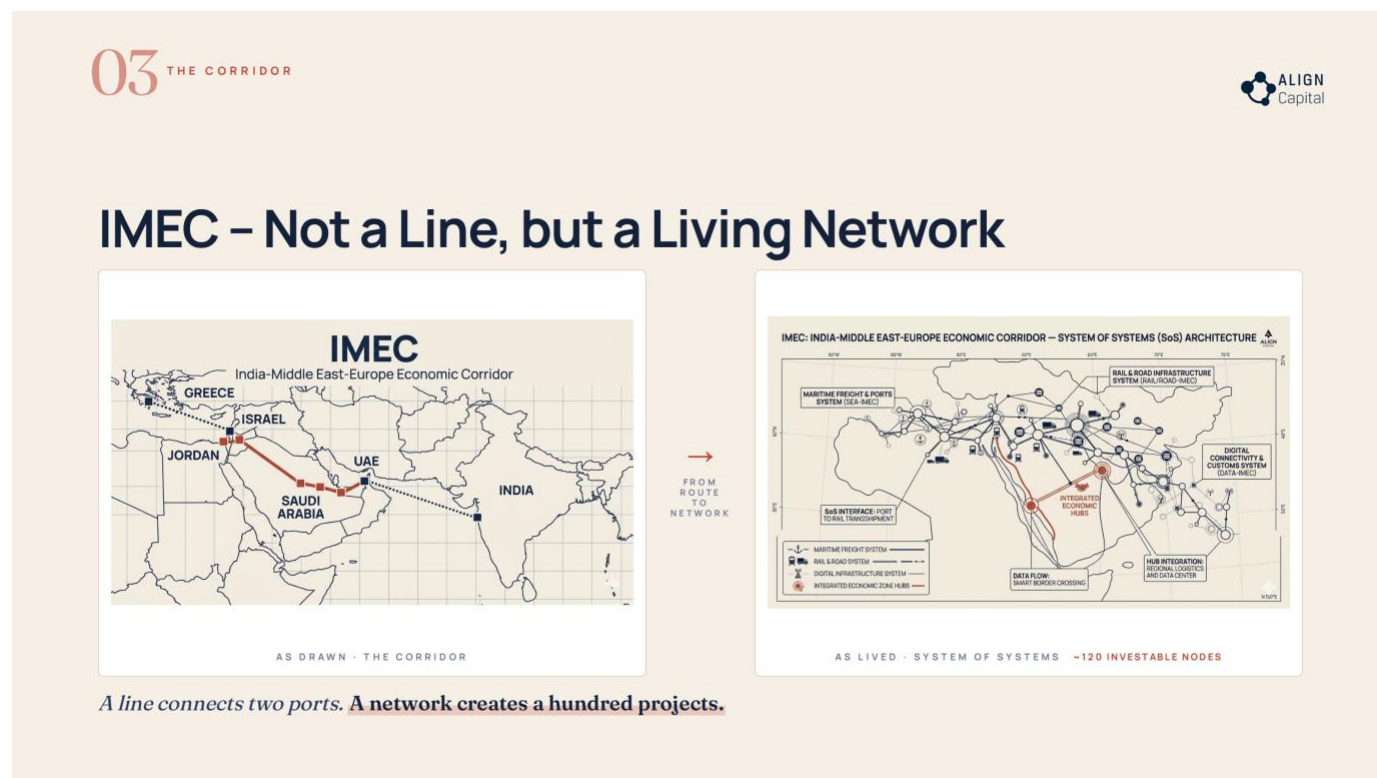
³²Lior Lehrs, *Peace Talks on Jerusalem: A Review of the Israeli-Palestinian Negotiations Concerning Jerusalem, 1993–2013* (Jerusalem: Jerusalem Institute for Israel Studies, 2013). In 2014-15, we examined 7 major proposals regarding those plans and scored them based on jobs and income, public budgets, cost of splitting infrastructure, trade and border friction, tourism and pilgrimage, land and property values, security and governance. All scored costs were high in terms of economic viability and political feasibility.

³³Amiram Gonen, "Jerusalem — How to Strengthen and Connect the Disintegrating City," in M. Amirav, ed. (2000), 162 [Hebrew].

³⁴Brunner, Hans-Peter. "What Is Economic Corridor Development and What Can It Achieve in Asia's Subregions?" ADB Working Paper on Regional Economic Integration No. 117, 2013; Middle East Institute, "The India-Middle East-Europe Economic Corridor," backgrounder, 2025; Roberts, Melecky, Bougna, and Xu, "Transport Corridors and Their Wider Economic Benefits," World Bank Policy Research Working Paper 8302, 2018.

IMEC's headline progress. That modularity is the corridor's real advantage: it lowers the political threshold for the next increment of cooperation from a comprehensive settlement to a single financeable link. It does not remove the politics. Segments crossing the most contested ground will stay frozen for as long as the risk mitigation they require exceeds what any single project can assemble — which is the argument for a corridor-scale blended finance architecture rather than a project-by-project one.

Map 4. IMEC as drawn and as lived



Source: Align Capital, 2026; Atlantic Council, 2025, 2026.

The distinction that map draws is the operative one. Drawn, IMEC is a line connecting two ports. Lived, it is a system of systems — roughly 120 investable nodes across maritime freight, rail and road, digital connectivity and customs, and integrated economic zones. A line generates a toll. A network generates a hundred projects. Everything in the sections that follow depends on which of those two objects actually gets built.

The corridor literature has begun to make this point systematically, distinguishing corridors that move goods from corridors that generate development.³⁵ The distinction is not academic. A

³⁵ Murtazashvili, J. B. “Continental Asia and the Rise of Portfolio Politics,” Carnegie Endowment for International Peace, May 14, 2026; Mehar, M.A. Financing infrastructure and economic corridors: Role of multilateral agencies and public-private partnership (PPP). *Encycl. Monet. Policy Financ. Mark. Bank.* **2025**, 4, 252–264. <https://doi.org/10.1016/B978-0-44-313776-1.00310-X>.

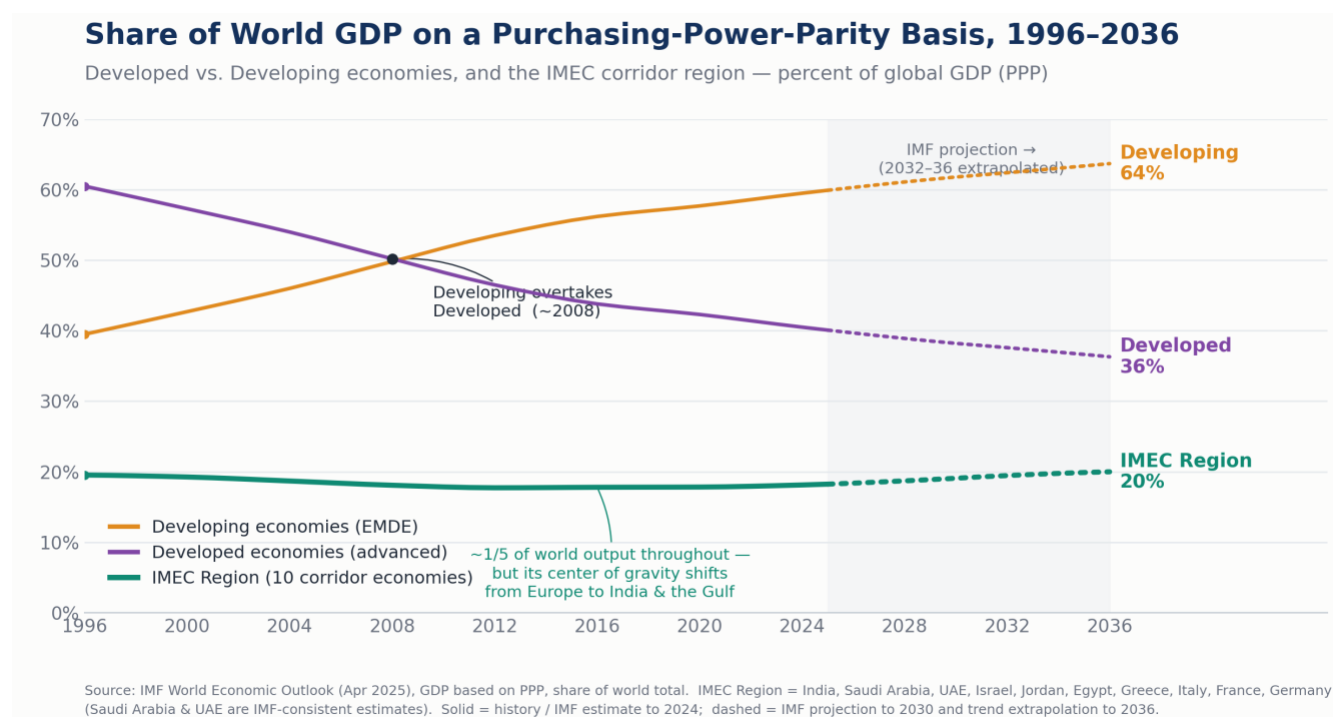
transport corridor optimized purely for throughput captures rents at the chokepoints and leaves the territory it crosses no better off; an economic corridor is designed so that the traffic it carries generates local production, employment, and capital formation along its length.

Latent weight, unrealized regional integration

The Middle East, as noted, is the least internally traded major region on earth: intra-regional trade of roughly 8-12 percent, against about 63 percent within the European Union, 58 percent within Asia, and 40 percent within North America.³⁶ Yet the corridor economies already hold close to a fifth of world output on a purchasing-power-parity basis. IMEC is, at its core, a mechanism for converting latent economic weight into realized integration.

The ten economies along the corridor — India, Saudi Arabia, the UAE, Israel, Jordan, Egypt, Greece, Italy, France, and Germany — have together held roughly one-fifth of world GDP in PPP terms for three decades, even as global economic gravity shifted from advanced to developing economies. The corridor region is not a small or peripheral market. It is a fifth of the world economy that happens not to trade across its own internal borders. That gap between latent weight and realized integration is the opportunity IMEC exists to close.

Figure 2. Share of world GDP (PPP), 1996–2036



The IMEC region holds roughly one-fifth of world output throughout the period, while its center of gravity shifts from Europe toward India and the Gulf.

³⁶ How Regional Trade Connectivity is Reshaping the Future of MENA Industries, MENA Centra, July 16, 2026.

The build-out raises intra-regional trade and growth through three connected channels — physical, procedural, and structural. Each fails for a different reason today, and each is unlocked by a different instrument. Let's take each in turn.

Channel one: physical — removing the chokepoints

The first channel is the most literal, and the most expensive. Freight between India and Europe today moves almost entirely through a single maritime chokepoint at Bab el-Mandeb and Suez. The Red Sea disruptions that began in late 2023 demonstrated what a single point of failure costs: rerouting around the Cape added roughly ten to fourteen days and a large multiple of insurance cost to voyages that had been routine for a century and a half. Resilience is no longer a theoretical benefit of a second route; it is a priced one.

The events of 2026 removed whatever remained of the theoretical framing. With Hormuz disrupted and Bab el-Mandeb contested simultaneously, the fallback that made the 2023 rerouting merely expensive — the Cape as an available if inferior alternative — was itself under pressure. War-risk premiums on Gulf transits moved from roughly a quarter of a percent of hull value to figures in the mid-single digits and above, a repricing the market now treats as structural rather than episodic. The lesson for the corridor is uncomfortable and worth stating plainly: IMEC's eastern maritime leg was designed around Gulf hub ports that lie inside the strait, which means a project conceived as a hedge against chokepoint risk was itself exposed to the chokepoint it was meant to circumvent. That is an argument for redesign, not for abandonment. Redesign is not free, and the segments it implies are exactly the ones that will need financing before they need consensus.

IMEC's alternative is intermodal. Container traffic moves by sea from western India to Gulf ports, transfers to rail across the Arabian Peninsula, crosses to the Eastern Mediterranean, and re-enters shipping for Piraeus, Trieste, and northern Europe. On the northern leg the route is estimated to be about 40 percent faster and 30 percent cheaper than Suez, worth on the order of eighteen hundred dollars per container for time-sensitive freight. Eastern Mediterranean container throughput would rise from roughly three million TEU (Twenty-Foot Equivalent Unit) today by an additional ten million in the first phase and twenty-five million in the second.

The physical channel is also where the gaps are most concrete, and therefore where project pipelines are easiest to specify. The Saudi land bridge requires completed rail between the Gulf and the Red Sea coast. The Israeli–Jordanian link requires the Haifa–Beit She'an line and its continuation through Irbid to Al Mafraq and Amman, with branch lines to Afula and Jenin — a route that has already passed initial screening and pre-feasibility with the European Union, confirming its importance to a Mediterranean transport network. The Jordanian North–South Corridor from the Syrian border to Aqaba, together with the eventual rebuilding of Hejaz Railway links through Nablus and the Gilboa to Haifa, would lower export costs across the whole region.

Each of these is a discrete, financeable asset. None requires a comprehensive political settlement to begin.

Map 5 A. India-Middle East-Europe Economic Corridor (IMEC)



Source: Interactive IMEC Map, 2026 <https://ecopeaceme.org/imec-map/>

Map 5 B. Electrified Rail Corridor



Channel two: procedural — the border behind the border

Much of the region's low intra-trade is administrative rather than physical: divergent customs regimes, paperwork, and non-tariff friction rather than distance. This is the cheapest trade to unlock, because it fails today for reasons that have nothing to do with geography and everything to do with process (including applications of IT and AI to maintain standards and enforcement).

Digital customs and single-window platforms — the India–UAE Virtual Trade Corridor and the MAITRI portal among them — attack exactly this layer, cutting administrative time and cost. Harmonized rules of origin, mutual recognition agreements, and trusted-trader programs compound the effect along the corridor. A shared digital pipeline and an AI-driven trade-data backbone also lower the information asymmetry that keeps investors and traders anchored to familiar single-country markets. Procedural reform has the highest ratio of trade gained to capital spent of anything in this paper, and it is the natural first assignment for teams that want a demonstrable result inside a year.

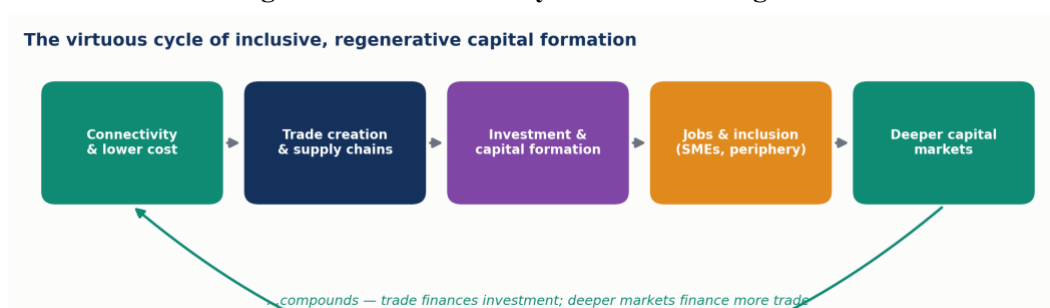
Channel three: structural — from trade to growth

The growth effects run from static to dynamic. The static gains are the standard ones: trade-cost reductions, transit revenue on the order of sixty to a hundred and twenty million dollars a year, and direct trade creation. India–Gulf trade already runs near 160 billion dollars and India–Europe above 120 billion euros, with projected overland corridor flows around 250 billion dollars by 2030. India's export gains alone have been estimated at roughly 22 billion dollars a year.³⁷

³⁷ Atlantic Council, The India–Middle East–Europe Economic Corridor: Connectivity in an Era of Geopolitical Uncertainty (Aug 2025); Middle East Institute, IMEC Backgrounder (Jun 2026); Misgav Institute; ORF Middle East; RIS Background Note

The larger gains are dynamic, and they compound. Lower trade costs and larger markets crowd in investment; investment deepens capital markets; deeper markets finance more trade. This is the loop that carried intra-EU and intra-Asian trade past 60 percent. The capital to power it is already present and mostly pointed elsewhere: MENA sovereign wealth funds command roughly four trillion dollars in assets, of which only about 9 percent is deployed inside the region. The corridor's financial architecture — pooled vehicles, blended tranching, and labeled bonds and sukuk of the kind designed in the Financial Innovations Lab — is the conduit that redirects that capital homeward. This is the decisive channel, and the one where the Lab has the most to contribute.

Figure 3. The virtuous cycle of trade and growth



Connectivity lowers trade costs; trade draws investment and capital formation; capital formation creates jobs and inclusion; deeper capital markets finance still more trade.

Table 2. Illustrative trade and growth indicators

Indicator	Figure	Significance
Intra-regional trade (Middle East)	~9–17%	Lowest of any major region; the headroom to be captured
Corridor share of world GDP (PPP)	~1/5	Latent economic weight awaiting integration
IMEC vs. Suez (northern leg)	~40% faster, ~30% cheaper	≈ \$1,800/TEU saved on time-sensitive freight
New eastern-Mediterranean container traffic	+10M TEU (Ph. 1) → +25M (Ph. 2)	Step change from ~3M TEU today
India–Gulf / India–Europe trade	~\$160B / >€120B	Existing flows the corridor deepens and reroutes
Projected overland corridor flows	~\$250B by 2030	Scale of the tradable opportunity
MENA sovereign wealth deployed in-region	~9% of ~\$4T	The capital pool the architecture can redirect

Figures indicative, drawn from partner analyses and public sources; see references.

Inclusion: whether the corridor reaches anyone

Whether the corridor raises regional welfare or merely moves cargo depends on inclusion, and inclusion is a design choice made early or not at all. A transit line optimized for throughput can collect tolls while bypassing the populations it passes. A common market is built when corridor investment reaches the region's workers, small firms, and peripheral communities. This is where the largest employment gains sit, and it is the test the Fellows' project designs will be held to.

Job creation follows the pipeline across every focus area. Logistics and border modernization generate direct employment at crossings, dry ports, and cold-chain facilities. Water infrastructure and controlled-environment agriculture — organized under a water-as-a-service model in which public capital builds the core and private capital invests in last-mile irrigation and processing — create rural and agro-industrial jobs, including in agro-industrial parks. Reconstruction is itself a vast employment program if it is sourced regionally rather than imported. Heritage and tourism, organized into investable Heritage Asset Districts such as the Kidron–Wadi el-Nar pilot connecting some 300,000 residents to a global community of roughly 3.5 billion, create durable service employment while deepening intercultural understanding. The Incense Route itself — AlUla in Saudi Arabia, Petra in Jordan, Avdat in Israel, on to Alexandria — is a ready-made heritage corridor whose commercial logic is two thousand years old.³⁸

Broad-based participation is what turns jobs into an economy. That means explicit inclusion of Palestinian, Jordanian, Egyptian, and peripheral Bedouin and other communities in the pipeline; co-ownership structures that pair partners across the region so that ownership, and not only wages, is shared; and financial inclusion through SME finance, trade finance, and social-bond-funded access programs that let smaller enterprises enter corridor supply chains. Capital formation, in this design, is not the concentration of returns on a few sovereign balance sheets. It is the widening of who owns and finances the corridor.

Regeneration: whether the corridor leaves anything behind

The corridor can be built as an extractive project or a regenerative one, and the difference is again a matter of design and instrument. A regenerative regional economy pairs growth with restoration

³⁸ EcoPeace Middle East (Peace Triangle, Sun Triangle, Gaza desalination desk study; Cornwall Insight resource assessment); Milken Innovation Center Heritage Asset District model; partner analyses from Align Capital, Levantar Global, and Bank of Palestine; See also, Beyond Aid: A Palestinian Private Sector Initiative for Investment, Growth and Employment, Portland Trust, 2013; Abdelhamid, Ali, Mark Pelling, and Emin Mentese, “The Future of Gaza: existing plans can frame a locally inclusive and risk-sensitive reconstruction,” *Environment and Urbanization*, 38/1 (April 2026). On Cultural Heritage Tourism see: “The Future of the Past: Building Transboundary Bridges of Understanding through Cultural and Heritage Tourism,” Milken Institute Middle East-Africa Summit, Abu Dhabi, UAE, December 7, 2023 ([here](#)).

of the natural and social systems it depends on — water, energy, soil, marine ecosystems, and cohesion — and finances that restoration through instruments that price prevention below the cost of future damage. Five instrument families are already proven enough to be assigned:

- **Energy–water nexus.** Coupling desalination to renewable generation and cross-border grids turns two chronic scarcities into a shared, low-carbon system rather than a zero-sum competition. The water-for-electricity swap approved at COP27 in Sharm el-Sheikh, in which Jordan supplies solar power to Israel and Israel supplies desalinated water to Jordan, is the template.
- **Nature-based and regenerative agriculture.** Regenerative-agriculture hubs, smallholder carbon-credit models, payment for ecosystem services, and cross-border training connecting farmers across the region while restoring soil and sequestering carbon — jobs and ecological repair from the same investment.
- **Ocean and environmental finance.** Insurance-backed concessional capital for Eastern Mediterranean marine-pollution mitigation converts climate-risk exposure into proactive investment, on the logic that prevention costs less than future claims.
- **Circular reconstruction.** Solid-waste enterprises that turn recycled material into building inputs make reconstruction itself a circular, job-creating activity.
- **Transition and labeled finance.** Green, social, sustainability, sustainability-linked, and transition bonds, alongside green sukuk, channel global sustainable capital — issuance approaching a trillion dollars in 2025 — into the corridor while holding issuers to measurable environmental and social outcomes.

Capital formation, widened

Blended structures with development-finance guarantees have lifted private-debt participation from about 42 percent to roughly 80 percent in comparable settings. Applied to an inclusive pipeline — first-loss and social tranches that de-risk participation for local banks, pension pools, and SMEs — the same mechanics widen the base of who supplies and owns corridor capital, converting a sovereign-and-DFI story into a regional capital-formation story.³⁹

Figure 4. Regenerative capital stacks needed—

³⁹ Convergence Finance (blended-finance mobilization); ICMA Principles (June 2025) for labeled bonds; S&P Global Ratings, Sustainable Bond Outlook 2025.



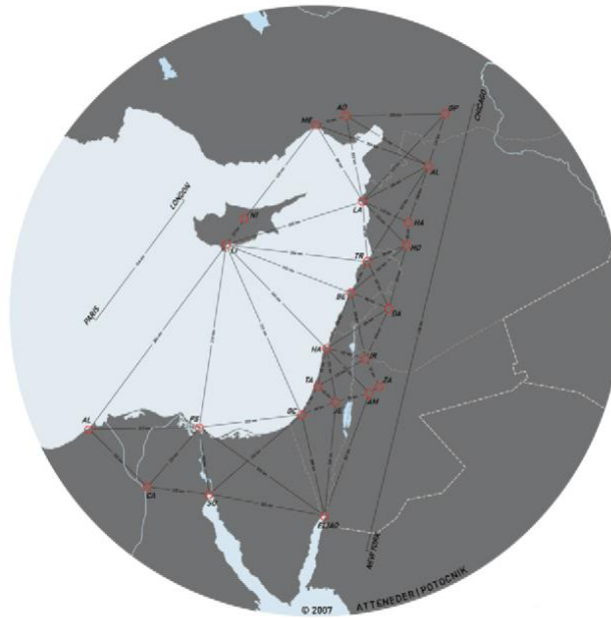
Financed this way, capital formation does more than accumulate. It restores the shared resource base and the social cohesion on which sustained intra-regional trade ultimately depends.

V. Where the Third Layer Lands: The Eastern Mediterranean City Belt

Corridors terminate in places. Over the coming decades an alliance of some twenty cities will coalesce along the Mediterranean coast from Turkey to Egypt, together with the corresponding desert hinterland. MIT's Jerusalem 2050 program identified this emerging city belt years ago, and subsequent analysis of Israel's nodes within it has only reconfirmed the trade, commerce, and tourism potential of the Eastern Mediterranean.⁴⁰ The farthest distance between these cities is roughly that between Chicago and New York.

⁴⁰MIT Eastern Mediterranean City Network 2050, <http://www.hummus2050.org/>. The parallels between this planning vision and Theodor Herzl's 1902 utopian novel *Altneuland* are striking; see "Dreaming of Altneuland," *The Economist*, 21 December 2000.

Map 6. Nodal map of the Eastern Mediterranean region

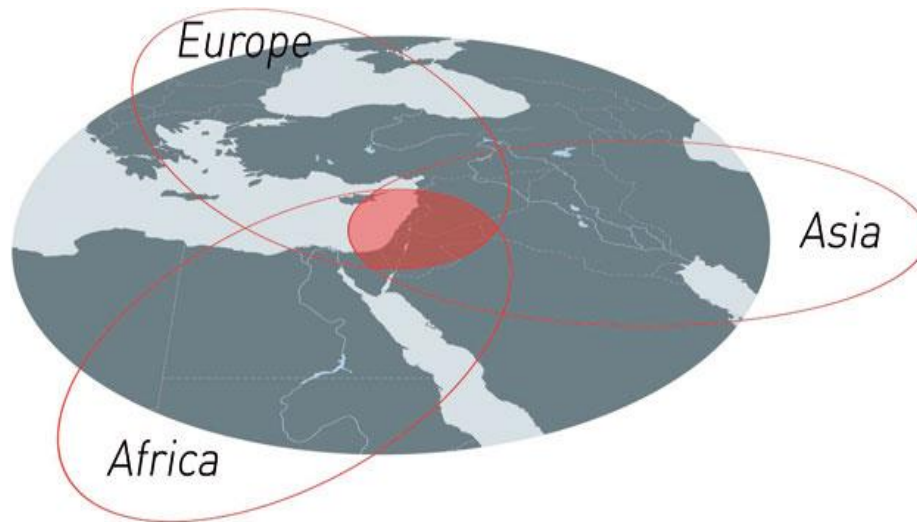


Source: East Mediterranean City Belt 2050 (Hummus), MIT Just Jerusalem Competition.

The concentration of people, money, services, trade, and production forms a backbone of nearly 200 million residents by 2050. The Jerusalem metropolitan region — the Israeli municipality together with the Palestinian Jerusalem Governorate, extending to Ramallah, Jericho, and Bethlehem — sits at the center of an emerging alliance of cities running from Cairo to Tel Aviv to Jerusalem to Amman to Istanbul, and outward through IMEC.

Bünting, in other words, gets a second draft. The projection below is the cloverleaf redrawn with demographic and economic drivers instead of devotional ones, and it arrives at a strikingly similar center.

Map 7. A new Bunting map for the twenty-first century



Source: Jerusalem 2050, Eastern Mediterranean City Belt, MIT.

Regional cooperation on this construction differs from the past's cultural maps and narratives which, as the Jerusalem philosopher Moshe Halbertal has shown, overlap and compete to exclude one another. In their place, social, technological, and environmental maps zoom out to build inclusive connection between the growth poles linking Asia, Africa, and Europe through the Eastern Mediterranean. By skipping the present paralysis and working backwards from a not-too-distant future, an alternative becomes visible and, more usefully, becomes plannable.

The structural drivers

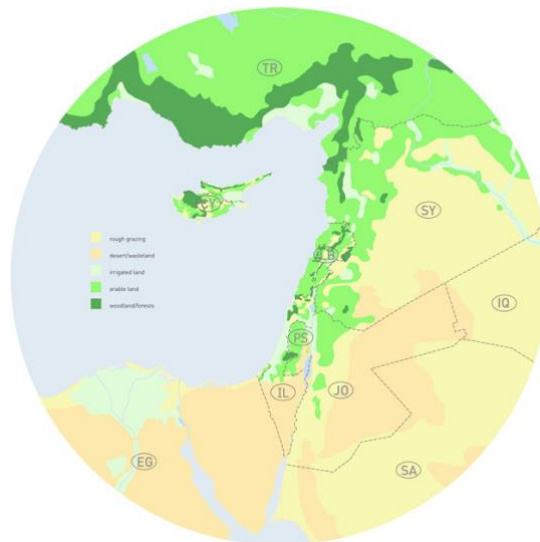
Six forces make Eastern Mediterranean primacy plausible rather than merely desirable:

- Global population will rise from roughly 8.2 billion today toward 9.7 billion by 2050, almost entirely in the developing world and overwhelmingly in Sub-Saharan Africa and Asia, which are linked through the Eastern Mediterranean. Jerusalem and its surrounding region sit at the center of that new wave of aggregate global demand.
- Dense physical and digital infrastructure nodes will drive growth from traffic on highways, airports, sea lanes, railroads, and the internet of things, following north–south corridors consistent with natural and historical movement: the coastal highway, the desert hinterland, and the cultural roads along the Syrian–African Rift Valley.
- Eastern Mediterranean gas — up to 122 trillion cubic feet in the seabed, with geologists suggesting the Levant Basin may hold considerably more — is a transition fuel that benefits Israel, Cyprus, Gaza, Greece, Egypt, Lebanon, Syria, and eventually Turkey as a distribution point. As a bridge fuel it enables the simultaneous growth of renewables, biofuels, and storage, ending oil's monopoly power over transport and opening a more

competitive and ultimately climate-friendly energy future. Following the disruptions of Russia's invasion of Ukraine and the October 7 and Iran wars, the Eastern Mediterranean Gas Forum could coordinate distribution investment to Europe while advancing carbon capture, solar, and hydrogen storage.

- Population density runs high — around 3,000 per square kilometer — from the Nile Delta along the shoreline and the hinterland-city axis from Aleppo to Amman, then falls to near zero within 150 kilometers along the desert hinterland belt. The capacity to make the desert habitable and productive, which Ben-Gurion first foresaw in the Negev, becomes central as the region grows eastward into newly sustainable environments.
- Over 30 percent of the region's arable and irrigated land concentrates in the coastal corridor. Plant and soil science extending food production into water-stressed areas, together with post-harvest storage and distribution breakthroughs, will underwrite food security and resilience.
- Cultural heritage is the fastest-growing segment of global tourism, and the Eastern Mediterranean can outcompete Europe and the western Mediterranean in recreational, ecological, and heritage tourism — using heritage as an engine of urban and rural regeneration involving local authorities and businesses to create new markets and jobs.

Map 8. Agricultural land use and food security, Eastern Mediterranean



Source: East Mediterranean City Belt 2050 (Hummus), MIT Just Jerusalem Competition.

The green shoots are already visible

Transboundary economic activity in this region is not a forecast. It exists, in digital services, energy, water, and manufacturing, and it is consistently underreported relative to headline risk.

The examples below are modest by the standards of the corridor literature, which is precisely the point: they are what has survived without a political settlement.

- Palestinian ICT, concentrated in Ramallah and built largely on outsourcing relationships with Israeli and international firms, accounts for somewhere between three and seven percent of GDP depending on measurement, with annual value added of roughly half a billion dollars. Outsourcing represents the great majority of the ecosystem. The sector is small in absolute terms and has grown through periods when almost nothing else could.
- Israel has supplied gas to Jordan since January 2020 under a fifteen-year, roughly ten-billion-dollar contract between the Leviathan partners and NEPCO covering some 45 bcm. The contract has been politically contested in Amman throughout its life and has continued to deliver — a useful demonstration that commercial infrastructure can outlast the political weather that surrounds it.
- Israel's finance ministry and the Palestinian Authority resolved some NIS 2 billion (about \$530 million) in accumulated Israel Electric Corporation arrears in September 2016, ending a decade-long dispute; two years later the IEC and the PA signed a fifteen-year agreement worth roughly NIS 2.8 billion (about \$775 million) transferring most West Bank supply to Palestinian responsibility and providing for four new high-voltage substations. Both were concluded without any accompanying political settlement.
- Egypt's qualified industrial zones, which require Israeli content of 10.5 percent for duty-free entry to the US market, generated \$1.4 billion in exports in 2025 across roughly 1,300 participating firms — half of all Egyptian exports to the United States. Jordan's parallel program has been superseded by its free trade agreement with the US, but the Egyptian zones remain the region's only functioning template for tariff-privileged joint manufacturing across a politically difficult border

A glaring failure was Red Sea–Dead Sea conveyance, agreed by Israel, Jordan, and the Palestinian Authority in 2013 and designed to desalinate 65 to 85 mcm annually while arresting the Dead Sea's decline, was shelved in 2021 and dropped from the World Bank's program. Jordan proceeded instead with a national desalination scheme at Aqaba.

The failure is instructive: the project was technically sound, tri-lateral by design, and dependent throughout on political alignment across three governments simultaneously. It is the clearest available illustration of why segmentation matters — a project that required everyone to agree at once got nothing built, while bilateral gas supply under commercial contract has run for six years.

Trade and transport links between Turkey, Iraq, Jordan, Israel, Egypt, and the Palestinian territories intensified through the Syrian and Iraqi wars, interrupted mainly where Iranian-aligned

actors were positioned to interrupt them. What is needed now is not another round of comprehensive negotiation but a regionally financed program of digital, transport, and tourism infrastructure available to those parts of the region that choose to opt in.

VI. Back to the Future: Reading the Layers Together

Set the three layers side by side and the continuity is not metaphorical. The alignments are the same alignments. What changed between Layer I and Layer III is the technology of movement and the architecture of finance, not the geography of advantage.

Table 3. Ancient routes and their contemporary descendants

Layer I route	Layer II disposition	Layer III corridor
Incense Route (Arabia → Petra → Gaza)	Severed by mandate borders and closed frontiers; AlUla, Petra, and Avdat reduced to archaeology	IMEC land bridge and the AlUla–Petra–Avdat–Alexandria heritage corridor
Via Maris (Egypt → Gaza → Levant → Anatolia)	Fragmented by the 1948 and 1967 lines; coastal traffic truncated at every crossing	Coastal rail, road, gas, and fiber alignment; Eastern Mediterranean port cluster
King's Highway (Aqaba → Damascus)	Split between states; Route 60 and the Jordanian interior developed separately	Jordan North–South Corridor (Syrian border to Aqaba); Haifa–Beit She'an–Irbid–Amman rail
Silk Road and Indian Ocean trade	Displaced by Suez and imperial shipping; the region reduced to a transit right rather than a market	Belt and Road on one side, IMEC on the other; the region as a market rather than a passage

The Eastern Mediterranean's past is not a foreign country. We know it well, and we can learn a great deal more from the archaeological sites and trails that constitute the region's greatest common endowment. What Braudel observed at the close of a career spent studying the region's past can be said of its future — that finance, trade, and commerce demonstrate a "common destiny, a heavy one indeed, with identical problems and general trends if not identical consequences."⁴¹

VII. From Framework to Assignment: The Financial Innovations Lab and the IMEC / Abraham Fellows (Capacity Building Focused on Pre-Development Research)

The purpose of the three-layer frame is not classification. It is to give co-innovation teams a common diagnostic language, so that a project proposed in Aqaba and a project proposed in

⁴¹Braudel, F. *The Mediterranean and the Mediterranean World in the Age of Philip II*, vol. 2, conclusion.

Alexandria can be compared on the same terms. What follows is the assignment structure for the Lab and the Fellows, and it doubles as the call for submissions.

The premise teams are asked to accept

Most past failures in the region, and the wars that followed them, are the consequence of more people being invested in the problem than in the solution. Behavioral economics is clear about the mechanism: when incentives, identities, fears, and cognitive biases make continuation feel safer or more rewarding than resolution, conflict becomes self-reinforcing. Nobody has to want failure for failure to be the equilibrium. The status quo simply becomes more politically profitable than the alternative. The corridor's value is that it changes the profitability calculation by creating assets that no one can afford to destroy.

Teams are therefore not asked to resolve conflicts. They are asked to build interdependence dense enough that resolution becomes the cheaper option.

The four deliverables

Each co-innovation team selects one node on the corridor — a border crossing, a port, a rail segment, an agro-industrial zone, a heritage district, a grid interconnection, a water facility, a data corridor — and produces four linked outputs.

Table 4. Research and planning outputs for co-innovation teams

Deliverable	Question it answers	Form
1. Layer diagnostic	Which layer is this node currently governed by, and which layer does the project require? What Layer II inheritance — a border regime, a tariff, a jurisdictional dispute, a legacy alignment — is the binding constraint?	Two pages plus one map. Must identify at least one Layer II artifact that has to be worked around rather than resolved.
2. Barrier analysis	Is the binding constraint physical, procedural, or structural? What is the cost of each, and in what order should they be attacked?	Barrier table with cost estimates and sequencing logic; explicit statement of what can proceed without political settlement.
3. Financing structure	Who pays, in what tranches, at what return, bearing which risk? Which instrument family applies: blended concessional, labeled bond or sukuk, insurance-backed concessional, water-as-a-service, guarantee-enhanced private debt?	Term sheet at concept level: sources and uses, tranching, guarantee structure, expected private-capital mobilization ratio.

Deliverable	Question it answers	Form
4. Inclusion and regeneration test	Who along this segment gains employment, ownership, and supply-chain access? What natural or social system does the project restore rather than deplete?	Metrics with baselines: direct and indirect jobs, SME participation, co-ownership structure, water/carbon/soil/marine sustainable outcomes based on KPIs for sustainability-linked securities. Baselines are required; projections without baselines will be returned.

Assessment criteria

- **Modularity.** Can the project start, and produce a measurable result, without waiting on a political agreement? Proposals contingent on final status are out of scope by construction.
- **Bankability.** Is there a plausible path from concept term sheet to a financeable structure within thirty-six months, with an identifiable anchor investor?
- **Mobilization ratio.** How much private and regional capital does each unit of public or concessional capital bring in? The benchmark from comparable blended structures is a lift in private-debt participation from roughly 42 to 80 percent.
- **Regional ownership.** Does ownership, and not only employment, extend across borders and into peripheral communities? Cross-border co-ownership is the single strongest predictor that a project survives a political downturn.
- **Redirection of regional capital.** Does the structure give a regional sovereign fund, pension pool, or local bank a reason to deploy inside the region rather than outside it? Moving the 9 percent figure is the Lab's central objective.

What the Lab contributes

The Financial Innovations Lab supplies the third deliverable's machinery: instrument design, tranching, guarantee architecture, and the labeled-debt structures that let global sustainable capital reach corridor projects while holding issuers to measurable outcomes. The Fellows supply the node-level knowledge, the cross-border teams, and the political feasibility judgment that no financial structure can substitute for. Neither works alone. That division of labor is the reason for pairing them.

Call for submissions

Proposals are invited from cross-border teams of two or more institutions, at least one of which is based in a corridor economy outside Israel. Submissions should follow the four-deliverable structure in Table 4 and should not exceed fifteen pages excluding annexes. Teams should nominate the node, not the theme: "the Beit She'an–Irbid rail segment" is a submission; "regional transport cooperation" is not. Selected teams will present at the Lab and will be paired with instrument designers to convert concept term sheets into financeable structures.

[Submission:bethd@vanleer.org.il .]--

VIII. Conclusion: A Network of Networks

The Middle East's low internal trade is not a natural condition. It is the product of missing infrastructure, procedural friction, absent interdependence, and, above all, missing financial architecture. IMEC addresses all four. Built well, it converts a region holding a fifth of world output but trading little with itself into an integrated market whose trade compounds into investment, capital formation, and jobs. Built inclusively and regeneratively, it does so in a way that reaches the region's people and restores its resource base rather than bypassing both.

The instruments exist and have worked elsewhere. The corridor's task is to assemble them so that connectivity becomes commerce, and commerce becomes shared, durable growth. That is not a new idea in this region. It is the oldest one here, interrupted for a century by a name invented in a London magazine to describe a shipping lane. Zooming out far enough to see the interruption for what it was is the precondition for getting past it.

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Milken Innovation Center

Van Leer Jerusalem Institute

43 Jabotinsky St, Jerusalem 9214116, Israel

Phone: +972.2.5605288

www.milkeninnovationcenter.org