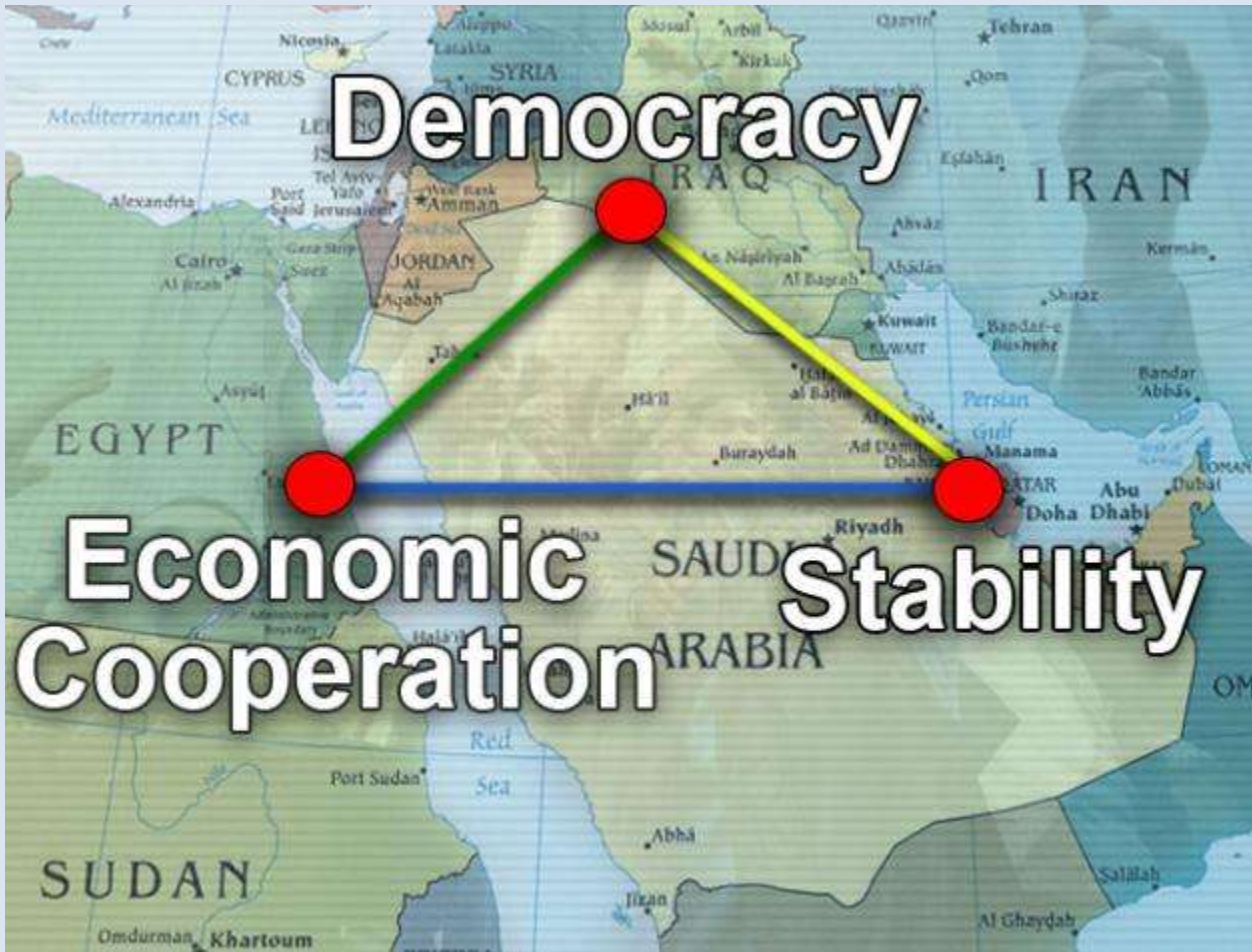




Israel in the Changing Middle East: Economy



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Israeli-Arab Trade Relations

At a time when much of the Middle East is in flux and mass protests are engulfing the Arab world, Israel says it hopes two key countries with which it has peace treaties - Jordan and Egypt - remain open to continuing positive diplomatic and economic relations.

“The first thing is to advance as quickly as possible – economic progress in the pivotal countries. The two pivotal countries that I think are important are those that have created the anchor of peace in the heart of the Middle East, and that’s Egypt and Jordan.”

- **Israeli Prime Minister Benjamin Netanyahu**

“It is important to have trade to cement peace.”¹

- **Head of the International Relations Department at the Israel Manufacturers Association, Dan Catarivas**

Jordan

Israel signed its second peace treaty with an important Arab neighbor state, Jordan, in October 1994.² The two countries agreed upon allocations from existing water resources, freedom of passage for nationals of both countries and cooperation in the development of the Jordan Rift Valley. The two nations have since cooperated on a host of projects in areas such as water, investment and trade.

In 1995, the two countries signed the Jordanian-Israeli Cooperation Agreement to remove trade barriers and increase trade and the exchange of goods and information. The relationship has fostered jobs and promoted the resolution of mutual environmental and economic concerns. As part of the agreement, Israel in 1996 helped establish a modern medical facility in Amman, Jordan’s capital.

Direct Trade

The Qualified Industrial Zones (QIZ), established in 1996, have been a significant initiative to increase industrial cooperation between Jordan and Israel.³ The purpose was to encourage economic cooperation and foreign direct investment in Jordan via cooperation with Israel. QIZs are industrial parks in Jordan from which jointly-manufactured Jordanian-Israeli goods can be exported to the U.S. duty free.⁴

“Israel attaches great importance in the QIZs and the current attempts to achieve cumulation as part and parcel of the bilateral relations between Israel and Jordan. Israel believes that trade is an important pillar of building peace, and we will continue to support and promote all opportunities to develop economic opportunities that benefit both countries and their people,”⁵

- **Former Israeli ambassador to the U.S. Sallai Meridor**

1 Mitnick, Joshua. “Israel-Egypt trade links may help limit any rupture in ties,” Christian Science Monitor, Feb. 10, 2011, <http://www.csmonitor.com/World/Middle-East/2011/0210/Israel-Egypt-trade-links-may-help-limit-any-rupture-in-ties>

2 Ministry of Foreign Affairs. “Main Points of Israel-Jordan Peace Treaty.” [http://www.mfa.gov.il/MFA/Peace Process/Guide to the Peace Process/Main Points of Israel-Jordan Peace Treaty](http://www.mfa.gov.il/MFA/Peace%20Process/Guide%20to%20the%20Peace%20Process/Main%20Points%20of%20Israel-Jordan%20Peace%20Treaty) (accessed Feb. 27, 2011)

3 Middle East Policy Council. “The Jordanian-Israeli Relationship: The Reality of “Cooperation”, <http://www.mepc.org/jordanian-israeli-relationship-reality-cooperation?print> (accessed Feb. 27, 2011)

4 “Joint Jordanian- Israeli Delegation to discuss Trade Relations in Washington,” July 15, 2008, <http://www.allbusiness.com/government/government-bodies-offices-government/11398960-1.html> (accessed Feb. 27, 2011)

5 Ibid

The countries mutually reduced customs and tariffs⁶ on imports and exports. Israel granted preference to Jordanian industrial products such as cement, furniture, pharmaceuticals and toys; Jordan gave preference to Israeli products such as electric parts and communications equipment.

In 1998, the countries signed another agricultural cooperation agreement that drew on the earlier accord signed in 1995.⁷

Israeli exports to Jordan totaled some \$250 million in 2007 and increased to \$288 million in 2008. These mostly comprise vegetable products, precious stones and metals, paper products, textiles, machinery and electrical equipment. Jordanian exports to Israel mainly consist of chemical, mineral and vegetable products, and textiles. They amounted to \$54 million in 2007 and nearly doubled to \$105 million in 2008.⁸

In the same year, Jordan, the Palestinian Authority and Israel approved the construction of an agro-industrial park⁹ in the West Bank to foster economic cooperation and development throughout the region. The Jordan Gateway Industrial Park, located outside Jordan's capital, Amman, is another example of the fruits of the Jordanian-Israeli peace accord.



Bill Clinton, Yitzhak Rabin and King Hussein of Jordan at the peace treaty signing ceremony. (US Government Press Office)

The mutual industrial zone¹⁰ harnesses the improved border passage for imports and exports and low water, electricity and transportation costs. The industrial park also uses Jordanian Free Zone Status for lower taxes, customs and quota-free exports to the United States as well as customs-free exports to the EU. A project currently underway at the Industrial Park is the construction of a new 5,000-square-meter (16, 404 square-foot) factory that could employ 30,000 workers in the area.

6 <http://www.moit.gov.il/NR/exeres/7620BA91-07CB-4E16-9507-D47EB1251E8E.frameless.htm> (accessed Feb. 27, 2011)

7 Jordan Times. "Jordan, Israel sign agricultural accord." Oct. 28, 1998. <http://www.jordanembassyus.org/102898006.htm>

8 The Central Bureau of Statistics (Israel), *Imports and Exports by Commodity Groups-Jordan*. http://www.cbs.gov.il/www/fr_trade/td1.htm (accessed November 22, 2009).

9 Associated Press. "Israel, PA, Jordan agree to build joint agro-industrial park in West Bank," March 15, 2007, <http://www.haaretz.com/news/israel-pa-jordan-agree-to-build-joint-agro-industrial-park-in-west-bank-1.215610>

10 Jordan Gateway Industrial Park, <http://igip.net/pages/about.html> (accessed Feb. 27, 2011)

Joint Water Projects

Cooperation on water-related matters was made one of the top priorities during the peace negotiations. In 1994, Jordanian and Israeli officials initiated a joint water project¹¹, including a “wastewater treatment plant in the Jordan Valley and a desalination and conveyance system to provide Jordan with an additional 50 million cubic meters [164 million cubic feet] of drinking water annually.” The fertile Jordan Valley is located between Jordan and Israel.

The Mediterranean-Jordan Basin Water Desalination Project was proposed in the late 1990s to handle Jordanian and Israeli water shortages¹². It was part of a bilateral effort to desalinate water from the Mediterranean Sea for two locations, one near the coast of Israel and another in the Jordan Valley.

The Jordanian-Israeli “peace canal¹³,” or Red-Dead Canal Project, aims to save the Dead Sea from drying up. The Jordanian-Israeli border dissects the Dead Sea and is vital for tourism and natural resources.



Israel and Jordan launch a joint plan to divert water from the Red Sea to the Dead Sea in order to halt the latter's sea level from continuing to decline.

The canal would stretch 112 miles (180 km) from the Gulf of Aqaba in the Red Sea to the Dead Sea. Construction began after the peace treaty was signed but is in limbo. It would take about 10-30 years to build and cost at least \$5 billion.

The plan calls for electricity generation and a large seawater desalination plan that would produce as much as 850million cubic meters [2,788 million cubic feet] of potable water for people in the West Bank.

11 Jordan Times. “Jordan, Israel to seek funding for joint Jordan Valley water projects,” March 2, 1999, <http://www.jordanembassyus.org/0302099001.htm>

12 Ministry of Foreign Affairs. “Israel Projects Presentation: Infrastructure,” Sep. 30, 1997. <http://www.mfa.gov.il/MFA/Peace%20Process/Regional%20Projects/Israel%20Projects%20Presentation-%20Utilities> (accessed Feb. 27, 2011)

13 Shafy, Samiha. “Israel-Jordan Project aims to save Dead Sea,” Sept. 5, 2007, Der Spiegel, <http://www.spiegel.de/international/world/0,1518,503953,00.html>

Egypt

All Arab countries apart from Egypt banned commerce with Israel until 1994.¹⁴ Since the peace treaty between Israel and Egypt, signed on March 26, 1979, the pair have developed trade relations in a number of areas. These include textiles, machinery, chemicals, vegetables and cotton.

The peace treaty was the first time an Arab country had recognized the existence of Israel and its right to secure and recognized borders.

The treaty specifies the right of free passage through international waterways and that Israel will purchase Egyptian oil on a regular basis.¹⁵

Direct Trade

On June 30, 2005, Israel and Egypt signed a \$2.5 billion deal for the sale of natural gas to Israel. Egypt agreed to supply 1.7 billion cubic meters of natural gas over a 15-year period via an undersea pipeline from the Egyptian town el-Arish to the Israeli city Ashkelon.¹⁶

In 2010, Egypt exported some \$300 million of natural gas to Israel, and revenues are expected to triple to \$1 billion by 2015.¹⁷

Israel is a net importer of Egyptian products. It buys three times more goods from Egypt than it sells to it.

Egypt and Israel trade under special MFN (Most Fair Nation) status of the World Trade Organization.¹⁸



Map of Israel-Egypt border

They also established a QIZ in 2004 - which comprises Egypt, Israel and the United States - allowing Egypt to export \$1 billion in goods customs free to the U.S. with \$100 million of Israeli input. As a result of the QIZ, Israeli exports to Egypt grew 110% in 2005.¹⁹ In the first quarter of 2006, industrial exports to Egypt grew 148.5% compared to the same period in 2005, for a total of \$26.5 million. Most of the exports consisted of textiles, clothing, chemicals and refined fuel.

Textiles and cotton are mainstays of the Egyptian economy. Israeli companies Delta Galil and Polgat employ thousands of workers in their Egyptian factories.²⁰

¹⁴ Kleiman, Ephraim. "Is there a Secret Israel-Arab Trade?" *Middle East Quarterly*, June 1998, p. 11-18, <http://www.meforum.org/393/is-there-a-secret-arab-israeli-trade>

¹⁵ Ministry of Foreign Affairs. "Israel-Egypt – A review of bilateral ties," Jan. 2003, <http://www.mfa.gov.il/MFA/Foreign%20Relations/Bilateral%20relations/Israel-Egypt-%20A%20Review%20of%20Bilateral%20Ties> (accessed Feb. 27, 2011)

¹⁶ "Egypt and Israel sign 15-year natural gas deal," *The New York Times*, July 1, 2005, http://www.nytimes.com/2005/06/30/business/worldbusiness/30iht-gas.html?_r=2

¹⁷ Mitnick, Joshua. "Israel-Egypt trade links may help limit any rupture in ties," *Christian Science Monitor*, Feb. 10, 2011, <http://www.csmonitor.com/World/Middle-East/2011/0210/Israel-Egypt-trade-links-may-help-limit-any-rupture-in-ties>

¹⁸ "Principles of the trading system," World Trade Organization, http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm (accessed Feb. 14, 2011)

¹⁹ "Israeli exports to Arab states up by 34.5%," *Ali Bawaba Business*, May 17, 2006. <http://www1.albawaba.com/business/israeli-exports-arab-states-345>

²⁰ Cohen, Ora, "'Cold Peace' between Israel and Egypt could grow colder," *The Marker, Haaretz*, Jan. 31, 2011, <http://english.themarket.com/cold-peace-between-israel-and-egypt-could-grow-colder-1.340073>

Israel and Egypt have also established agricultural cooperation. Some of these initiatives include joint agricultural research facilitated by the Middle East Regional Cooperation (MERC) and the Nubaseed demonstration farm. The ranch was established south of Alexandria in 1987.²¹ Other projects include R&D activities at Maryut and a program for biotechnological upgrading of agricultural waste.

Economic Cooperation to Build Economic Stability



1996 agricultural deal signed by then Egyptian ambassador to Israel Mohamad Bassiouny and Israel's agricultural minister Yaacov Tsur. (Israel Foreign Ministry)

Although Egypt's GDP grew nearly 5 percent in 2010 (amounting to \$30 billion worth of exports), one in four Egyptians are unemployed, according to Al Jazeera TV.

In addition to the tough economic situation of Egyptians, the current increase in oil prices is taking its toll. The cost of a barrel rose to more than \$100 in February 2011 for the first time in two years.²²

Although Egypt is not a major oil-producing country, it is a transit point for oil and international commodities. Some 35,000 ships pass through the Suez Canal each year, which is approximately eight percent of the world's annual sea-trade.

Economic Growth in the West Bank and Gaza

West Bank

During the past three years, terrorism and violence coming from the West Bank have decreased significantly due to improved Palestinian-Israeli security coordination, the security fence and Israeli military operations targeting terrorist infrastructures.²³

This has allowed Israel to ease security restrictions, which has helped boost the Palestinian economy. Checkpoints and roadblocks have been removed, stimulating trade and economic productivity.²⁴ Gross domestic product grew by 8.5 percent in the West Bank in 2009.

Several Palestinian companies have thrived in the improved economic climate, including Palestine Telecommunications which reported first quarter profits of \$23.2 million, followed by Palestine Development and Investment at \$10.9 million, Bank of Palestine at \$8.8 million, Palestine Electric Company at \$3.8 million and Al Quds Bank at \$1.9 million.²⁵

West Bank Economy by the Numbers

²¹ Ministry of Foreign Affairs. "Collaborative Agricultural and Rural Development of Settlement in the Nubariya Region – Egypt." July 20, 1998.

<http://www.mfa.gov.il/MFA/Mashav%20%E2%80%93%20International%20Development/Activities/Collaborative%20Agricultural%20and%20Rural%20Development%20o>

²² Smith, Grant and Margot Habiby, "Brent Oil Rises to \$100 for First Time in Two Years on Demand," Bloomberg, Jan. 31, 2011, <http://www.bloomberg.com/news/2011-01-31/brent-crude-oil-exceeds-100-a-barrel-for-first-time-since-oct-1-2008.html>

²³ "Palestinian Terror in 2008: Statistics and Trends - December 2008," *Israel Security Agency*, <http://www.shabak.gov.il/SiteCollectionImages/english/TerrorInfo/2008-sum-english.pdf>

²⁴ "The economic situation in the Palestinian Authority and Israeli relief measures: Periodic update," *Israel Ministry of Foreign Affairs*, Dec. 6, 2009, <http://ocha-qwapps1.unog.ch/rw/rwb.nsf/db900sid/JBRN-7YHG2P?OpenDocument>

²⁵ "Palestinian Economic Bulletin," *Portland Trust*, May 2010, <http://www.portlandtrust.org/Bulletin%20Issue%2044%20-%20May%202010.pdf>

- **60 percent:** projected growth in the West Bank's economy by 2013 as compared to 1994 levels²⁶
- **48 percent:** increase in imports to the West Bank from May 2009 to May 2010
- **50 percent:** increase in Palestinian bank profits in the first quarter of 2010 compared to the first quarter of 2009²⁷
- **\$858 million:** estimated value of exports from the West Bank in 2010²⁸
- **\$3.4 million:** estimated value of imports to the West Bank in 2010
- **\$1.2 billion:** expected international aid for PA budget support for 2010²⁹
- **9 percent:** growth in the West Bank's economy in the first half of 2010³⁰
- **8 percent:** projected annual growth rate in 2010, up from 7.2 percent in 2009³¹
- **12 percent:** the Industrial Production Index for the West Bank for January 2010 showed that industrial production was up 12 percent over the past year³²
- **5 percent:** banking sector credit increase between January and May 2010³³
- **30 percent:** rise in property prices in Ramallah over the past two years³⁴
- **9 percent:** fall in unemployment in the West Bank, from 18.1 percent in the fourth quarter of 2009 to 16.5 percent in the first quarter of 2010³⁵
- **6.8 percent:** increase in total Palestinian GDP in the West Bank and Gaza in 2009 (8.5 percent in the West Bank; 1 percent growth in Gaza)³⁶
- **2.9 percent:** increase in GDP recorded in the first quarter of 2010 compared to the fourth quarter of 2009³⁷
- **7 percent:** projected GDP growth of total Palestinian economy (West Bank and Gaza) in 2010, as predicted by the International Monetary Fund³⁸
- **52 percent:** increase in number of trucks carrying exports from the West Bank from May 2009 to May 2010
- **150:** roadblocks in the West Bank removed during the past few years
- **60:** roadblocks the Israel Defense Forces stated would be removed in May 2010³⁹
- **27:** checkpoints removed during the past two years⁴⁰
- **22 percent:** increase in construction activity in the West Bank in 2009
- **12 percent:** increase in industrial production in the West Bank in 2009⁴¹

²⁶ "Program Note: West Bank and Gaza," *International Monetary Fund*, updated Sept. 17, 2010, <http://www.imf.org/external/np/country/notes/wbg.htm>

²⁷ "Palestinian Economic Bulletin," *Portland Trust*, May 2010, <http://www.portlandtrust.org/Bulletin-Issue43-A4-2.pdf>

²⁸ Ibid. <http://www.portlandtrust.org/Bulletin%20Issue%2044%20-%20May%202010.pdf>

²⁹ "Palestinian Economic Bulletin," *Portland Trust*, April 2010, <http://www.portlandtrust.org/Bulletin-Issue43-A4-2.pdf>

³⁰ Odenheimer, Alisa, "West Bank Economy Grows 9% in First Half While Gaza Expands 16%, IMF Says," *Bloomberg Business Week*, Sept. 14, 2010, <http://www.bloomberg.com/news/2010-09-14/west-bank-economy-grows-9-in-first-half-while-gaza-expands-16-imf-says.html>

³¹ Ibid.

³² "Palestinian Economic Bulletin," *Portland Trust*, March 2010, <http://www.portlandtrust.org/Bulletin-Issue43-A4-2.pdf>

³³ "Palestinian Economic Bulletin," *Portland Trust*, May 2010, <http://www.portlandtrust.org/Bulletin-Issue43-A4-2.pdf>

³⁴ "Ramallah building boom symbolizes West Bank growth," *Haaretz*, Aug. 2, 2010, <http://www.haaretz.com/business/ramallah-building-boom-symbolizes-west-bank-growth-1.305544>

³⁵ "Palestinian Economic Bulletin," *Portland Trust*, July 2010, <http://www.portlandtrust.org/Bulletin-Issue%2046-July%202010.pdf>

³⁶ "Palestinian Economic Bulletin," *Portland Trust*, April 2010, <http://www.portlandtrust.org/Bulletin-Issue43-A4-2.pdf>

³⁷ "Palestinian Economic Bulletin," *Portland Trust*, July 2010, <http://www.portlandtrust.org/Bulletin-Issue%2046-July%202010.pdf>

³⁸ "Palestinian Economic Bulletin," *Portland Trust*, April 2010, <http://www.portlandtrust.org/Bulletin-Issue43-A4-2.pdf>

³⁹ Laub, Karin, "Israel to ease travel limits in W. Bank," *The Associated Press*, May 25, 2010,

http://www.boston.com/news/world/middleeast/articles/2010/05/25/israel_to_ease_limits_on_travel_in_w_bank/

⁴⁰ "The economic situation in the Palestinian Authority and Israeli relief measures: Periodic update," *Israel Ministry of Foreign Affairs*, Dec. 6, 2009,

http://www.theisraelproject.org/site/c.hsJPK0PIJpH/b.5657687/k.FFBD/The_economic_situation_in_the_Palestinian_Authority_and_Israeli_relief_measures_periodic_update.htm

- **12.5 percent:** rise of the Palestinian stock market in 2009⁴²
- **17 percent:** increase in total Palestinian trade in 2008 over 2007

Gaza

While many in Gaza are poor, there are also physical signs of prosperity in the Palestinian territory. Gaza's economy grew by about 8% in 2010 while unemployment decreased.

Millions of tons of humanitarian aid have been transferred to Gaza since Operation Cast Lead – more than a ton of aid for every individual there. Supplies include food, first aid goods, heavy-duty diesel fuel and construction materials.⁴³

From the end of Cast Lead in January 2009 until June 2010, Israel coordinated the transfer of 1,068,400 tons of aid, 139,118,433 liters of fuel and 52,580 tons of cooking gas into the Gaza Strip.⁴⁴

In July 2010, Israel eased its blockade of Hamas-controlled Gaza allowing in **all goods other than those that could serve terrorist purposes.**⁴⁵

Israel has increased cooperation with the PA and international organizations to improve the standard of life for civilians in Gaza. Projects are in the areas of health, education and infrastructure for sewage, water and housing.

Israel also revised its policy for PA projects in Gaza to include cement, lime, concrete, steel elements, iron and steel cables and vehicles.

In December 2010, Palestinians exported \$59.3 million to the United States. Gaza City has three up-scale popular hotels - and another one in the works – that cater to an international clientele.

In the fourth quarter of 2010, Gaza employed 13,000 more people than it did in the third quarter.

The service sector had the highest employment rate, employing 61.3% of Gazans.

Hotel occupancy in the Palestinian territories increased by 17% - and the number of guests increased by 24% - in the fourth quarter of 2010. There was a 1.72% increase in the overall Consumer Price Index (CPI) for Gaza in 2010 compared to 2009. In February 2011, an extension was passed for the substantial PRDP trust fund which provides money for Palestinian projects in Gaza.

In December of last year, Gaza again began exporting such goods as strawberries and flowers, for which it is renowned.

⁴¹ "Palestinian Economic Bulletin," *Portland Trust*, April-July 2010, <http://www.portlandtrust.org/Bulletin%20Issue%2044%20-%20May%202010.pdf>

⁴² "The economic situation in the Palestinian Authority and Israeli relief measures: Periodic update," *Israel Ministry of Foreign Affairs*, Dec. 6, 2009, http://www.theisraelproject.org/site/c.hsJPK0PIJpH/b.5657687/k.FFBD/The_economic_situation_in_the_Palestinian_Authority_and_Israeli_relief_measures_periodic_update.htm

⁴³ "Increased humanitarian aid to Gaza after IDF operation," *Israel Ministry of Foreign Affairs*, June 26, 2010, http://www.mfa.gov.il/MFA/Government/Communiques/2009/Increased_humanitarian_aid_Gaza_after_IDF_operation_Jan_2009

⁴⁴ "Behind the Headlines: The Israeli humanitarian lifeline to Gaza," *Israel Ministry of Foreign Affairs*, May 25, 2010, http://www.mfa.gov.il/MFA/About%20the%20Ministry/Behind%20the%20Headlines/Israeli_humanitarian_lifeline_Gaza_25-May-2010.htm

⁴⁵ Laub, Karin, "Israel Eases Gaza Blockade Restrictions, Releasing List of Allowed Items," *AP and The Huffington Post*, July 5, 2010, http://www.huffingtonpost.com/2010/07/05/israel-eases-gaza-blockade_n_635448.html

Maghreb States

Diplomatic relations with the moderate Maghreb countries are important because of the role that these countries play in the Arab world.⁴⁶

In 1994, Morocco and Tunisia signed the Declaration of Casablanca formalizing diplomatic ties with Israel. The declaration aimed to “build the foundations for a Middle East and North Africa economic community, which implies, at a certain stage, the free flow of goods, capital and labor throughout the region.”

Initiatives included establishing a Regional Tourist Board, encouragement of interregional trade relations, promotion of dialogue on economic reform and regional cooperation, as well as the formation of steering committees and economic development groups.⁴⁷ Following the declaration, Morocco and Tunisia opened liaison offices with Israel in 1994 and 1996, respectively.

The Islamic Republic of Mauritania and Israel concluded an agreement at the Barcelona Conference in November 1995. The conference intended to establish a “comprehensive partnership in order to turn the Mediterranean into a common area of peace, stability and prosperity through the reinforcement of political dialogue and security, an economic and financial partnership and a social, cultural and human partnership.”⁴⁸

Following the conference, in May 1996, Mauritania opened its diplomatic mission in Tel Aviv. On October 28, 1999, Israel established full diplomatic relations with Mauritania, an Islamic country and member of the Arab league. This was the third Arab country, after Egypt and Jordan, to establish full diplomatic relations with Israel.

After the outbreak of the second intifada in September 2000, Morocco and Tunisia cut diplomatic ties with Israel. Yet, some commercial, regional security and tourism relations continue to grow.

In 2006, Morocco, Israel and Algeria joined “Operation Active Endeavor,” the NATO counterterrorism patrols in the Mediterranean. Tunisia, Mauritania, Egypt and Jordan also took part in the event. This showed overlapping interests with Israel for regional security. In 2009, Morocco also cut ties with Tehran.⁴⁹

46 Ministry of Foreign Affairs. “Israel among the nations. Middle East and North Africa,” November 2010 <http://www.mfa.gov.il/MFA/Facts+About+Israel/Among+the+Nations/ISRAEL+AMONG+THE+NATIONS--+Middle+East++North+Afri.htm> (accessed Feb. 27, 2011)

47 UN General Assembly, A/49/645, November 7, 1994, <http://unispal.un.org/UNISPAL.NSF/0/EAA320D2440AA9C78525610B00672ED6> (accessed Feb 27, 2011)

48 Barcelona Declaration and Euro-Mediterranean Partnership, http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/mediterranean_partner_countries/r15001_en.htm (accessed Feb. 27, 2011)

49 Maddy-Weitzman, Bruce. “Israel-Maghreb relations: Realities and Possibilities” in MERIA Journal, June 2009. <http://www.gloria-center.org/meria/2009/09/maddy-weitzman.html>

Gulf States

In 1994, the Gulf Cooperation Council (GCC) agreed to cancel its boycott of states and companies that maintain economic ties with Israel.⁵⁰ In May 1996, Israel opened trade representation offices in Oman and Qatar to develop economic, scientific, and commercial relations. Qatar was the first GCC state to grant de facto recognition to Israel and launched trade relations.⁵¹

*Qatar has informal relations with Israel in the economic and trade spheres, but we wish Israeli transience would not force us to renege on the little progress already achieved. Should Israel agree to the principles of a comprehensive and just peace in accordance with international legality - the exchange of land for peace, and the guaranteeing of peace for all the people of the region - we would be willing to establish normal relations with Israel.*⁵²

- Shaykh Hamad bin Khalifa, 2000

Following Israel's disengagement from Gaza in 2005, Bahrain decided to cancel the boycott on Israeli goods and Qatar's foreign minister called on Arab states to "respond positively to the step taken by Israel at international conferences and in meetings between Arab and Israeli statesmen."⁵³

In 2005, Kuwait, Dubai, Qatar and Oman announced they were lifting the economic boycott on Israel. This allowed the entry of Israeli goods and products as well as cancelling a boycott against companies who do business with Israel.⁵⁴

Israeli businesses also worked with diamond and gold traders in Dubai and the Israeli shipping firm ZIM operates from Dubai ports.⁵⁵

In April 2008, then Israeli foreign minister Tzipi Livni was invited to participate in the Eighth Doha Forum on Democracy, Development and Free Trade. She was also asked to deliver the keynote address.⁵⁶



Former Israeli foreign minister Tzipi Livni at the Eighth Doha Forum on Democracy, Development and Free Trade in 2008. (Israeli Ministry of Foreign Affairs)

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The Future of Arab-Israeli Trade

With the Middle East in a period of change and revolution, democracy and economic cooperation are imperative to maintain stability. Israel promotes the triangle of democracy, stability and economic cooperation throughout the region.



Israeli President Shimon Peres called on the international community to create an ‘Economic Quartet’ to help alleviate poverty and avoid future unrest in the Middle East. “If help from an economic quartet, not a political governmental quartet, would come, it is possible that the current storm would be calmed down and bring the required change,” Peres said.⁵⁷

Following a diplomatic mission to Brussels in March 2011, Deputy Foreign Minister Danny Ayalon told Europeans that they should formulate an international economic, social and political “Marshall Plan” for the Middle East.⁵⁸ The plan would create a process of democratization in the Middle East and strengthen the moderate forces for change in the region.

Proper infrastructure has economic advantages. Israel’s technological successes from agriculture to nano-technology may serve as an accelerator in Egypt and Jordan to create jobs and foster economic growth.⁵⁹

“Economics wins everywhere in the world. The peace with Israel means money. Even if the Muslim Brotherhood will be in the government, they will talk against Israel, but they will accept Israeli factories.”⁶⁰

- **Oded Beit Halachmy, who established an Egyptian factory owned by textile company Delta Galil Industries.**

Despite a closure for one month during the protests in Egypt when ports were closed, since March 2011, work has been back to normal in Egypt’s Qualifying Industrial Zones.⁶¹

⁵⁷ “Israel wants “Economic Quartet” for Middle East (Roundup)”, *DPA*, Feb. 6, 2011, http://www.monstersandcritics.com/news/middleeast/news/article_1617412.php/Israel-wants-Economic-Quartet-for-Middle-East-Roundup

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"Indeed we are seeing today a desire by Egyptian firms which are very interested in continuing to operate in this manner, as it allowed them to stand competitively in the American market, because they are selling with a full customs waiver."⁶²

- **Head of the Middle East Department at Israel's Industry and Trade Ministry Gabby Bar**

Israel hopes that Middle Eastern countries will have a chance to build democracy to move their countries forward.⁶³ A democratic, Middle East can lead to regional stability and economic cooperation can only benefit both Israel and the Arab world.

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