From Mohamed Diwan

To understand the dynamics of Arab-Israeli economic relations, one must first grasp the magnitude of Israel's success. Israel, a country of less than ten million people, with no natural resources to speak of, located in a hostile geographic environment and burdened by constant security threats, has built one of the most dynamic economies in the world. Israel's per capita income exceeds that of many European countries; the country has the highest density of start-up companies in the world and invests a greater proportion of its GDP in research and development than any other nation.

Dan Senor and Saul Singer have analyzed the factors that made this rise possible in their influential work *"Start-up Nation"*. Compulsory military service not only creates a network, but also promotes a culture of flat hierarchies and improvisation – that *chutzpah*,[1] which has become proverbial in Israeli business culture. The massive immigration of highly qualified scientists and engineers from the former Soviet Union in the 1990s provided an unprecedented boost to human capital. Israel's universities – the Technion, the Hebrew University, the Weizmann Institute – are among the most productive research institutions in the world.

However, there is one crucial point that historian Bernard Lewis has highlighted in his comparative analysis of Middle Eastern civilizations: Israel's success is not based on material resources, but on institutional structures. The rule of law, protection of property, academic freedom, an independent judiciary, democratic accountability and a culture of intellectual dissent are all prerequisites for sustainable economic growth. Prerequisites that Israel has built up in a region where they are otherwise largely absent.

In the field of high technology, Israel has set standards that are recognized worldwide. Israeli companies dominate sectors such as cyber security, agricultural technology, medical technology and water desalination.

Drip irrigation technology developed in Israel has revolutionized global agriculture. Israeli cyber security companies are securing the digital infrastructure of governments and corporations worldwide. And Israel's ability to farm in the Negev Desert is nothing short of a technological miracle that has not escaped its neighbors in the Arab world, who live in similar climatic conditions.

The Arab counterpart: wealth without development

The Arab world embodies the pure opposite of Israel, as the Jewish historian Dan Diner has vividly described in his important work *“Sealed Time: On Stagnation in the Islamic World”*. Diner argues that the Arab-Islamic world lives in a “sealed time” – a state of cultural and institutional torpor that fundamentally hinders economic modernization.

Here too, the figures speak for themselves: the Arab states have a combined population of over 400 million people and hold more than half of the world’s oil reserves. However, according to the UNDP Arab Human Development Reports, their combined GDP is barely higher than that of a medium-sized European country. The entire Arab world exports fewer industrial products than Finland. The number of books translated into Arabic each year is less than the number translated into Greek. Investment in research and development is negligible and the number of patents is marginal.

Dan Diner identifies several structural causes for this stagnation. The sacralization of the Arabic language makes it difficult to develop a modern scientific language. The rentier economy of the oil states creates an “allocation mentality” in which wealth is distributed rather than generated – which nips any entrepreneurial initiative in the bud. The authoritarian structures of Arab states prevent the creative destruction that, according to Joseph Schumpeter, is the essence of capitalist dynamics. And the Arab-Islamic social contract, which is based on loyalty to the group and submission to authority, is fundamentally incompatible with the demands of a knowledge-based economy, which requires individual initiative, a willingness to take risks and critical thinking, writes Diner.

Bernard Lewis has historically substantiated this finding in his works *“What Went Wrong?”* and *“The Crisis of Islam”*. According to Lewis, the Arab-Islamic world has experienced a continuous decline since the end of its golden age in the Middle Ages, which was accelerated by the refusal to adapt the achievements of other civilizations – especially the West. While Japan, China and other Asian societies adopted and transformed Western technologies and institutions in the 19th and

20th centuries, the Arab world remained in an attitude of rejection – the inability to learn from others because this is interpreted as an admission of its own weakness.

Fouad Ajami, the Lebanese political scientist, has added a psychological dimension to this analysis in “The Arab Predicament”. According to Ajami, the Arab world is suffering from a collective grievance that stems from the clash between the self-image of a great civilization and the reality of political powerlessness and economic backwardness. Israel, which in this narrative functions as a Western foreign body in the Arab world, becomes a symbol of this grievance – not only as a political enemy, but also as living proof of its own failure.

The economy of envy

The psychological dimension of the Arab-Israeli relationship is often underestimated in academic literature, but is central to understanding the economic interdependencies. In Arab eyes, Israel is not simply one state among many – it is a permanent reproach. A country that, under the most adverse conditions imaginable, has achieved precisely the kind of development that the Arab world has so far failed to achieve despite – and in part because of – much more favorable starting conditions.

When Saudi Arabia formulates its “Vision 2030”, when the United Arab Emirates positions itself as an innovation hub, when Bahrain focuses on financial technology – the unspoken role model is always Israel. The irony is hard to miss: Arab states are trying to replicate exactly the same model that their declared enemy exemplifies. Mohammed bin Salman’s NEOM project – a planned high-tech city in the Saudi desert – is nothing other than an attempt to create an Arab Tel Aviv without ever openly admitting it.

This dynamic can be illuminated by the philosopher Max Scheler’s concept of *ressentiment*: an envy that is not transformed into productive imitation but into aggressive rejection – and yet, through the back door as it were, leads to the adoption of what is officially despised. The Arab world rejects Israel politically, while tacitly studying its economic model, importing its technologies and utilizing its expertise.

Economic interdependencies

The economic relations between Arab states and Israel form a network that does not officially exist but is nevertheless substantial. They can be divided into several categories.

The Abraham Accords of 2020 marked a turning point by formalizing the previously covert relations between Israel and several Gulf and other Arab states – the United Arab Emirates, Bahrain, Morocco and Sudan. But the economic contacts go much deeper and further back. As early as the 1990s, after the Oslo Accords, Qatar and Oman opened trade missions for Israel. Israeli businessmen traveled to Gulf states under cover; Arab entrepreneurs discreetly visited Israeli technology trade fairs. Saudi entrepreneurs have also maintained business relations with Israeli businessmen for a long time. Not directly, of course, but through meetings in London and imports from there, for example.

In the area of security technology the links are particularly close. Israeli surveillance software – above all Pegasus from the NSO Group – has demonstrably been used by Saudi Arabia, the UAE, Bahrain and Morocco. Arab autocracies use Israeli technology to monitor their own citizens.

In agriculture and water technology Israel has become an indispensable partner. Jordan, taking advantage of the 1994 peace agreement, sources Israeli expertise in water treatment and irrigation technology. The Gulf states, which face the same desert farming challenges as Israel, use Israeli drip irrigation and desalination technologies, often sourced through middlemen in Europe or Asia to avoid direct contact.

In the energy sector the gas discoveries in the eastern Mediterranean – the Leviathan and Tamar fields – have made Israel a potential energy exporter and created new dependencies. Jordan and Egypt already purchase Israeli natural gas, creating a structural economic dependency that is politically almost impossible to reverse. The 10 billion dollar gas agreement signed between Israel and Jordan in 2016 symbolizes this new reality.

In the area of health and Medical technology wealthy Arabs regularly visit Israeli

hospitals. The Hadassah Hospitals in Jerusalem and the Sheba Medical Center in Tel Hashomer treat patients from all over the region, including from countries that do not officially recognize Israel. Israeli medical technology products – from imaging procedures to surgical robots – find their way into Arab hospitals via detours.

The financial sector forms a further link. Following the Abraham Accords, Israeli and Emirati banks have concluded cooperation agreements. Investment funds from the Gulf States are investing in Israeli technology companies – partly directly and partly via international vehicles. The start-up scene in Tel Aviv has become a magnet for Arab investors, outweighing political reservations.

Between admiration and repression

The Arab perception of Israel's economic success is a web of admiration, envy, denial and occasional imitation. In the social media of the Arab world – the space that is less subject to state censorship – there are more and more voices openly discussing Israel's development model and measuring their own governments against the Israeli yardstick.

Arab intellectuals such as the Kuwaiti columnist Ahmad al-Sarraf or the Saudi journalist Turki al-Hamad have publicly questioned why the Arab world, despite its resources, is unable to achieve what Israel has achieved with a fraction of these resources. These voices remain minority positions, but their very existence points to a change in consciousness that can no longer be completely suppressed.

At government level, the attitude is more pragmatic than the public rhetoric would suggest. Mohammed bin Zayed, the President of the UAE, has recognized in his strategic vision the need to learn from Israel – a realization that found its formal expression in the Abraham Accords. Saudi Arabia's Mohammed bin Salman has established close security and technological cooperation through informal channels despite Israel's official non-recognition. The message is clear: economic pragmatism outweighs ideological hostility, even if this is not openly expressed.

Bassam Tibi, the German-Syrian political scientist, has argued in his work on political Islam that the Islamist rejection of Israel is also a rejection of modernity

itself – and that the Arab world can only overcome its backwardness if it is prepared to accept modernity as such, instead of denouncing it as a Western-Zionist conspiracy. Israel's existence forces the Arab world to confront itself in a way that it would rather avoid.

Tibi's diagnosis can be formulated more radically than he himself does: Israel is not the problem of the Arab world, Israel is its mirror. The economic relations – secretly sought, publicly denied – do not reveal a conflict between two parties, but rather the conflict between the Arab world and modernity, which Tibi has identified as the core of Islamist rejection.

The day when the Arab world no longer accepts Israel as a threat, but as a benchmark, will not mark the end of the conflict – but the end of self-deception. And that, in a region whose political order is based on the management of collective illusions, would be the real revolution.

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[1] Chutzpah (from Yiddish, originally Hebrew ḥuṣpāh) means: impudence, audacity, impertinence – but also admirable boldness.