



THE ECONOMIC BENEFITS OF THE 23-STATE SOLUTION

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October 30, 2025

J Street [supports](#) a comprehensive regional agreement that ends the Israeli-Palestinian conflict and, in turn, provides Israel with full acceptance by the 22 member states of the Arab League. For this solution to work, the 23rd state must be Palestine. Besides the obvious security benefits of a [23-state solution](#), the potential economic benefits for all parties are innumerable.

The 2020 [Abraham Accords](#) between Israel and four Arab states – UAE, Bahrain, Sudan, and Morocco – have already borne economic fruit. The annual value of trade and investments between Israel and Abraham Accords countries was [estimated](#) to **exceed \$10 billion** in 2023. The longstanding peace agreements between Israel and the bordering countries of Egypt (1979) and Jordan (1994) have also yielded decades of economic growth. Between 2021 and 2024, trade between Israel and its Abraham Accords partners, as well as Egypt and Jordan, [increased](#) by a remarkable **127 percent**.

These proven economic benefits demonstrate that a comprehensive regional agreement, which includes the remaining 16 Arab League states, would bolster Israel's economy while the country faces growing isolation and economic downturn. Instead of Netanyahu's "[Super Sparta](#)" vision, Israel should embrace a 23-state solution for its own economic benefit and the flourishing of the entire regional economy.

Economic Benefits of the Abraham Accords

United Arab Emirates

The UAE was the first Abraham Accords signatory to officially [normalize](#) relations with Israel and has since become Israel's largest Arab trading partner. According to the Israel Central Bureau of Statistics, UAE-Israel bilateral trade reached [\\$2.95 billion](#) in 2023.

- The same year, Israel and the UAE signed a Comprehensive Economic Partnership Agreement ([CEPA](#)), [aiming](#) to increase bilateral trade beyond \$10 billion within five years. Under the CEPA, Israel opened an [Economic & Trade Mission](#) to the UAE.
- The two countries now [collaborate](#), trade, and conduct business across many sectors: defense, emerging technologies, artificial intelligence, digital infrastructure, communication, transportation, space, energy, water and climate, food and agriculture, arts and culture, health, education, and tourism.
- Israel and the UAE have constructed a land corridor – through Saudi Arabia and Jordan – to improve supply chains, and new direct flights from Tel Aviv to Abu Dhabi and Dubai have boosted tourism for both countries.
- Israel and the UAE have also formed the [I2U2 Group](#) with India and the United States, and the UAE endorsed a plan to create an India-Middle East-Europe Economic Corridor ([IMEC](#)). The IMEC would build upon the UAE-Israel land corridor, serve as a

counterweight to China's Belt and Road Initiative, and promote further economic cooperation.

- With US backing, Israel and the UAE established the [Abraham Fund](#) to “catalyze economic growth” through mobilizing \$3 billion in private sector-led investment and development initiatives.

Bahrain, Sudan, and Morocco

After the UAE, Bahrain became the fourth Arab country to [normalize](#) relations with Israel. Bahrain-Israel bilateral trade reached [\\$11.5 million](#) in 2023, and the two countries have [taken steps](#) toward a free trade agreement (FTA).

Sudan became the fifth country and Morocco the sixth to [normalize relations](#) with Israel. While trade with Sudan has been stalled by the ongoing civil war there, Morocco-Israel bilateral trade reached [\\$116 million](#) in 2023.

Israel and Morocco [signed](#) an economic cooperation and trade agreement in 2022 with a five-year target of \$500 million in annual bilateral trade. This agreement brings the two countries closer to a formal FTA, which could eventually develop into a [free trade zone](#) for the whole region. Next year, Israel is [reportedly](#) planning to appoint its first economic attaché to Morocco.

Economic Benefits of Egypt-Israel and Jordan-Israel Peace

Egypt

Israel and Egypt signed a [peace treaty](#) in 1979 that includes a commitment to “promoting beneficial economic relations.” Egypt has since become Israel's second-largest Arab trading partner. In 2022, the two countries set a three-year target of [\\$700 million](#) in annual bilateral trade, and reached [\\$477 million](#) in 2023.

- In addition, natural gas exports from Israel to Egypt in 2023 reached an estimated [\\$1.5 billion](#). Both countries are members of the East Mediterranean Gas Forum ([EMGF](#)), a regional energy forum headquartered in Cairo (that also includes Jordan and Palestine). This year, Israel [signed](#) a \$35 billion 15-year natural gas export deal with Egypt.
- The two countries also collaborate economically via the Qualifying Industrial Zone ([QIZ](#)), a program that allows Egypt, Jordan, and Palestine to export products to the United States duty-free, provided the products contain inputs from Israel. In 2024, Egypt exported [\\$1.3 billion](#) in QIZ products – 52 percent of its total exports to the US.

Jordan

Israel and Jordan signed a [peace treaty](#) in 1994 and a corresponding “Trade and Economic Cooperation” [agreement](#). In 2023, Israel-Jordan bilateral trade reached [\\$1 billion](#), when factoring in water and gas exports from Israel to Jordan.

- Israel relies on Jordan as an economic bridge to large regional markets, especially in the Gulf. Along their shared border, Israel and Jordan are constructing a [joint industrial park](#) to facilitate the transfer of goods. The \$35 million “[Jordan Gateway](#)” project is expected to create [15,000 new jobs](#)
- Another major bilateral initiative is [Project Prosperity](#), a climate change mitigation and sustainability project. In 2022, Israel, Jordan, and the UAE, with US oversight, [signed](#) the two-part agreement: Prosperity Green (energy) and Prosperity Blue (water). The project, which has been stymied by the Gaza war, involves building a solar energy plant in Jordan for supplying clean energy to Israel in exchange for desalinated water.

Israel at a Crossroads: Regional Integration or Economic Isolation

The potential economic benefits of expanding the Abraham Accords and implementing a 23-state solution are innumerable. According to a Rand Corporation [study](#), if the Abraham Accords expand to include additional major Arab and Muslim states, including Saudi Arabia, Indonesia, and Pakistan, they could produce more than **four million new jobs** and more than **\$1 trillion in new economic activity** over the coming decade.

Prior to October 7, Israel and Saudi Arabia were making progress toward normalization. Saudi Crown Prince Mohammed bin Salman [told](#) US media in September 2023 that “every day we get closer” to normalizing relations with Israel – and Netanyahu [concurred](#). The Gaza war had stalled these efforts, but the recent deal to end the war could revive them. In Egypt earlier this month, Arab states [joined](#) in a peaceful settlement of the Gaza war, [reviving](#) prospects for greater regional peace.

Israel is standing at a crossroads and must choose regional integration over economic isolation. According to Rand, [normalizing relations](#) with major Arab and Muslim states, including the “crown jewel” of Saudi Arabia, as well as Indonesia and Pakistan, would generate **\$260 billion** in economic activity in Israel over ten years, creating **107,000 jobs**. A negotiated end to the decades-long Israeli occupation of Palestinian territory would also relieve Israel of the [devastating costs](#) of never-ending conflict.

The alternative is for Israel to keep [paying](#) the heavy price of Netanyahu’s short-sighted “Super Sparta” approach. Last month, the European Union, Israel’s largest trading partner – accounting for 32% of its total trade – moved to [downgrade](#) economic relations in response to the Gaza war. Similarly, last year, all three leading credit rating agencies [downgraded](#) Israel’s rating to its lowest in decades, citing regional instability and defense spending. This is just a small preview of the economic isolation that Israel would endure if it continues down the path of perpetual conflict. Israel can either suffer those consequences or pursue a 23-state solution that unleashes the economic potential of the region – the choice is clear.