

## In an attempt to beat Axis of Resistance

# Israel trying to dominate regional supply chain



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OPINION

In a public address on October 4, the Leader of Iran's Islamic Revolution Ayatollah Seyyed Ali Khamenei highlighted for the first time what he described as US and Israel plans to control the region's natural resources. He stated that Israel's current war campaign aims to position Israel as a hub for exporting energy to Europe and importing technology to ensure its survival. Ayatollah Khamenei called for resistance against the so-called India-Middle East-Europe Economic Corridor (IMEC), a proposed land bridge connecting India, Saudi, the UAE, Jordan, Israel, and Europe.

Days after his call, the Iranian parliament discussed introducing a bill for a defensive alliance with the countries belonging to the "Axis of Resistance". Ayatollah Khamenei further elaborated on this vision on October 27, calling for the establishment of "a global political and economic alliance, and if necessary a military one" to confront Israel and stop its ongoing crimes against the peoples of the region. This signals a clash of markets might be the next phase of the war. At the heart of this clash is the conflict over dominance in regional and global supply chains.

Supply chain disruptions have become a recurring global issue since the outbreak of COVID-19, which caused countries to implement stringent controls over imports and exports. The concept of supply chain security swiftly became a central concern. The US government adopted protectionist measures, particularly regarding vaccine exports, while Russia and India imposed restrictions on food imports and exports, and China limited the export of protective equipment and medicines. This experience highlighted the importance of supply chain security for many nations.

The emphasis on supply chain security was not solely driven by pandemic-related concerns but also by the escalating geopolitical competition between the West and the BRICS nations. The US, in particular, began wielding supply chains as a strategic tool against China and Russia, especially in light of the semiconductor and Ukraine wars. The US imposed restrictions on Chinese companies' access to critical semiconductors produced using American technology, affecting major firms like Huawei and ZTE. In the aftermath of the Ukraine war, the US led a Western coalition in imposing broad sanctions on Russia's supply chains, attempting to isolate the country from the global economy. In response, Russia and China retaliated by limiting critical exports of rare earth minerals and uranium to the West.

The global supply chain conflict extended to the MENA region. In the context of its war on Gaza in 2023, Israel sought to exploit its integration within global and regional supply chains to achieve its military objectives. By weaponizing its position within these supply networks, Israel aimed to further its strategic goals.

### Embedding Israel in regional supply chain

Before Israel could weaponize its regional supply chain, it first needed to establish it. While Israel had trade links with other MENA countries for decades, these connections were limited and often conducted in secrecy. However, the signing of the Abraham Accords in 2020, which included Israel, the UAE, Bahrain, and later Sudan and Morocco, allowed Israel to more deeply embed itself in the regional supply chain. Additionally, Israel's recent gas discoveries over the past decade became a tool to draw countries into closer economic relationships, building on earlier agreements like the Camp David Accords (1978) with Egypt and the Wadi Araba Treaty (1994) with Jordan, as well as the region's growing energy needs due to population growth.

Israel aimed to further entrench itself in the regional economy by signing numerous free trade agreements and strengthening trade ties with countries that had normalized relations with it. Israel signed its first free trade agreement in the region post-normalization with the UAE. In May 2022, both countries agreed on the UAE-Israel Comprehensive Economic Partnership Agreement. This agreement, the UAE's second bilateral trade deal following its agreement with India in February 2022, aims to boost trade by reducing or eliminating tariffs, enhancing market access for exporters, attracting new investment, and creating opportunities in key industries such as energy, environment, and digital trade. It is expected to increase bilateral trade beyond \$10 billion.

This agreement has facilitated Israeli companies exporting cyber security services to the UAE, contributing to Israel's economy, even amid global calls for boycotts following allegations of genocide.



The UAE became a vital economic lever for Israel to maintain strained global trade relations and establish links with the Indian economy. For instance, Airobotics, an Israeli company, has offices in Dubai, from which it exports Israeli services and drones worldwide. Shipping and energy projects between the two countries are also being discussed and implemented.

tors, such as automotive, agribusiness, Industry 4.0, aerospace, renewable energy, and water technologies. It also established qualified industrial zones in Morocco that would allow direct access to the US market, thanks to a tripartite agreement between Morocco, Israel, and the United States.

As a result, Israel signed an offshore natural gas exploration and production deal

with Morocco in December 2022. In May 2023, Israel and Morocco signed three additional agreements, including a maritime agreement to encourage direct trade links and an agreement to develop drones and self-driving cars. Military and security cooperation has also expanded. After being the first country to sign the US-led Artemis Accords in 2022, Israel Aerospace Industries signed a \$1 billion military equipment deal with Morocco in July 2023, supplying satellites used for communication, radar, and espionage purposes. Beyond offering an economic lever, Morocco enabled the sale of technologies used in the Gaza genocide following their testing in the field such as drones.

Israel even worked to integrate itself into



Following the normalization of relations with Bahrain in September 2020, Israel sought a free trade agreement with the country. The agreement is expected to allow Israel to leverage Bahrain's strategic position in the global shipping, finance, and energy sectors. Already, Cox Logistics, which manages the land bridge linking India, the Persian Gulf, and Israel via Bahrain, has signed an MoU with Israeli firm Trucknet to use a cloud-based platform to facilitate exports to Israel via the US military supply chain in the MENA region. Cox Logistics provides logistics services to US military vehicles across the Middle East. With Saudi Arabia, the UAE, and the US as Bahrain's key trading partners, this highlights Israel's integration into regional trade links under the US security umbrella. While the volume of trade through this route is not large, it has bolstered Israel's resilience in the face of war, especially after Yemen imposed a blockade on the Red Sea, significantly reducing maritime imports and causing inflation.

Similarly, after joining the Abraham Accords, Israel accelerated its integration into the Moroccan market, using Morocco as a stepping stone to gain greater access to Africa. Morocco's free trade agreements with African nations, such as Tunisia, helped make Morocco a hub for Israeli exports to the continent. In February 2022, Morocco and Israel signed a trade and investment cooperation agreement that created a framework for bilateral economic and trade relations. The deal targeted high-potential sec-

tor resources. After signing a \$15 billion gas deal in 2014 to meet 40% of Jordan's electricity needs with Israeli gas, Israel, Jordan, and the UAE signed an MoU in November 2022 to swap Jordanian solar energy for Israeli desalinated water. In 2021, Israel had already agreed to double its water exports to Jordan, increasing Jordan's dependence on Israel.

After meeting for the Naqab Summit, from left to right, then-foreign ministers of Bahrain, Egypt, Israel, the United States, Morocco, and the United Arab Emirates pose for a photograph on March 28, 2022.

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JACQUELYN MARTIN/AP

hostile environments. In October 2022, Israel and Lebanon finalized an agreement defining their maritime borders in the Mediterranean. The agreement allowed for Kraish and Qana fields to be exploited under a revenue-sharing understanding. Shortly thereafter, in June 2023, Israel quietly approved the development of Gaza Marine, a small offshore gas field near Gaza. This project was intended to benefit both the Palestinian Authority and Hamas through increased revenue and energy independence. Both agreements were designed to secure Israel's energy supplies and deter Hezbollah and Hamas from targeting Israeli energy infrastructure during any military escalation creating a strong dependency relationship.

In its war against Gaza, Israel sought to leverage its new regional economic ties to discourage countries from opposing it and to incentivize those who remained complacent to continue their support.

### Israel's weaponized interdependence

At the outset of the Gaza war, Israel granted 12 licenses to six companies to explore natural gas off its Mediterranean coast, with one beneficiary being Azerbaijan's national oil company, Socar. Azerbaijan

Israeli Prime Minister Benjamin Netanyahu holds signs envisioning a logistical bridge from India through the Middle East and Israel as he addresses the 79th session of the UN General Assembly on September 27, 2024.

PAMELA SMITH/AP

has played a crucial role in supplying Israel with energy via Turkey. Despite Turkey suspending trade links with Israel in the aftermath of the Gaza conflict, Israel continued receiving Azeri gas through Turkish ports. This agreement with Socar ensured that Azeri fuel continued to support Israel's blockaded economy via Turkish transport routes.

Israel also utilized its water agreements with Jordan to mute growing criticism of its economic ties and the land bridge connecting it with Persian Gulf countries. In exchange for Jordan's silence on the war and continued support for Israel's regional integration efforts through the India-Middle East-Europe Economic Corridor (IMEC), Israel extended its existing water export agreement. Jordan further benefited from increased Israeli imports via the land bridge with the Persian Gulf, which served as an incentive for its continued support of the war.

Israel increased its gas exports to Egypt during the war to incentivize Egypt's neutral stance despite some disruptions. Egypt also benefited from new trade maritime routes linking Turkey, Greece, and Cyprus with Israel. Israel also used its influence in the global financial system to restrict funding to the UNRWA, an organization on which both Jordan and Lebanon heavily rely to support millions of Palestinian refugees. By designating UNRWA as a terrorist organization, Israel aimed to sever its access to international funding, thereby exerting additional pressure on Jordan and Lebanon to shift their positions on the war.

Moreover, Israel capitalized on its close ties with Germany to secure Saudi Arabia access to advanced military technology. Saudi Arabia contributed to intercepting aerial attacks on Israel via its airspace, and as a result, Germany approved the sale of Eurofighter Typhoon fighter jets to Saudi Arabia, relaxing its previous restrictions on arms sales to the kingdom. This further incentivized Saudi Arabia to remain silent on the Gaza conflict and it made it remain interested in normalization with Israel.

A month before October 7, the US launched the IMEC to link Asia with Europe via the Persian Gulf and Israel, with the aim of enhancing energy, data, and trade links. The project effectively positions Israel as a central hub for regional trade, embedding it irreversibly in the regional supply chain. By integrating Israel into this economic framework, the Arab-Israeli conflict is expected to conclude, regardless of whether a resolution to the Palestinian question is achieved. While Hamas's attacks have disrupted Israel's plans in the short term, Israeli Prime Minister Benjamin Netanyahu in recent speeches to Congress and the UN framed the conflict as a zero-sum game. Israel's view is that the war is about securing the Abraham Market Alliance, underpinned by IMEC's vision of Israel as the commercial hub of the region. Consequently, both Israel and the US are attempting to link an end to the Gaza war with a normalization agreement with Saudi Arabia. Israel envisions Gaza becoming part of IMEC, defining victory through its transformation into a regional trade hub — while decimating Gaza in the process.

The article first appeared on [Mondoweiss](https://mondoweiss.net).